

## **CIVs and Pension Funds**

**Are there certain interests, relationships, or circumstances between the auditor of a CIV or pension fund and its Connected Parties that should be addressed?**

**Please provide reasons for your response**

### **Agree**

#### **IFAC Member Bodies and Other Professional Accountancy Organizations**

##### **Institute of Chartered Accountants Ghana (ICAG)**

Given the impact that Connected Parties have on the Investment Schemes, there is the need to evaluate whether certain interests, relationships, or circumstances between the auditor and Connected Parties involved with the Scheme could pose any threats to the auditor's independence when auditing the Scheme. Connected Parties should be included in the auditor's identification, evaluation and addressing of the threats to independence and client's management. These assessments would put the auditor in a clear position to identify, determine, and analyze the type, nature, and source of threats being encountered in the course of audit assignment, and the nature of mitigation processes to be put in place to avoid the threats or minimizing them to an acceptable level.

### **Agree With Comments**

#### **Monitoring Group**

##### **International Forum of Independent Audit Regulators (IFIAR)**

Yes, we believe that there are certain interests, relationships or circumstances that would pose threats to independence and may therefore benefit from being explicitly addressed.

Any direct or indirect financial interest in the CIV or pension fund held by the audit firm, each covered person, and any persons closely associated with any such person, or the firm should be addressed. There is also the self-interest threat associated with fee dependence on the CIV or its Connected Parties. Further, the provision of non-audit services to Connected Parties may create a self-review or advocacy threat and long-standing relationships with Connected Parties that are also audit clients of the firm may create familiarity threats.

We appreciate that there are instances where the Connected Parties may not strictly fall within the current definition of a "related entity" under the Code yet may still pose significant threats to independence. Applying a principles-based approach is intended to allow for these risks to be addressed and for these relationships to be evaluated under the conceptual framework in Section 120 of the Code. We are mindful that consistent conclusions may not always be reached in practice, however the addition of illustrative example(s) may support the consistent application of the conceptual framework in the context of these relationships.

### **Investors and Analysts**

#### **Better Finance (BF)**

Yes. The Code should explicitly address several types of high-risk relationships between auditors and Connected Parties, including:

Provision of non-audit services (e.g., valuation, IT systems) by the audit firm to the fund manager or sponsor;

Financial dependencies, such as large fee concentrations from fund complexes managed by a single adviser;

Personal or employment relationships, including former employees of the investment adviser working on the audit team;

Common ownership or business alliances between audit firms and fund service providers;

Shared office arrangements or co-branding between audit firms and advisers.

Each of these presents significant self-review, familiarity, or intimidation threats. Given that fund managers often drive valuation, fee determination, and portfolio decisions, any auditor entanglement with them undermines independence in fact and appearance. BetterFinance therefore urges IESBA to introduce bright-line prohibitions or require enhanced safeguards where these circumstances arise.

## **Impax Asset Management**

Yes, non-audit services provided to Connected Parties pose a significant threat to auditor independence. According to the SEC independence rules, if an audit firm provides advisory, tax or consulting services to a Connected Party that has decision-making authority over the Investment Scheme, it could create conflicts of interest.

Similarly, the UK FRC Ethical Standard imposes restrictions on non-audit services for auditors of investment schemes to mitigate these risks. The IESBA may consider strengthening guidance on this issue to ensure auditors maintain independence when engaging with Connected Parties.

## **Regulators and Audit Oversight Authorities**

### **Botswana Accountancy Oversight Authority (BAOA)**

Yes, relationships with Connected Parties such as fund managers, investment advisers etc may create self-interest, self-review or intimidation threats, if not clearly scoped within independence requirements. For example, if the auditor has previously provided a service to these parties or if the auditor has a close personal relation or financial interest with such parties. The IESBA should consider scoping these interest/relationships/circumstances within independence requirements or including them as application material.

## **Financial Reporting Council (UK FRC)**

Yes, we believe there are certain interests, relationships, and circumstances between the auditor of a CIV or pension fund and its Connected Parties that may give rise to threats to independence and would benefit from being explicitly addressed within the Code.

In particular, any direct or indirect financial interest in the CIV or pension fund held by the audit firm, each covered person, and any persons closely associated with any such person, or the firm represents a clear self-interest threat. Similarly, fee dependency on the CIV or its Connected Parties may compromise objectivity and should be considered a self-interest threat.

The provision of non-audit services to Connected Parties may also give rise to self-review or advocacy threats, particularly where those services relate to financial reporting or decision-making functions. In addition, long-standing relationships with Connected Parties—especially where those parties are also audit clients of the firm—may create familiarity threats that could impair independence in both fact and appearance.

We acknowledge that some Connected Parties may not fall within the current definition of a “related entity” under the Code, yet may still pose significant threats to independence. The principles-based nature of the Code is intended to allow for such circumstances to be evaluated under the conceptual framework in Section 120. However, we are mindful that consistent application of this framework may be challenging in practice.

To support more consistent and effective application, we would encourage IESBA to consider supplementing the Code with illustrative examples that reflect common scenarios involving Connected Parties in the context of CIVs and pension funds. Such examples would help clarify expectations and promote greater consistency in the identification and evaluation of independence threats.

## **Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)**

The Connected parties might delegate functions to other third parties which could undermine independence.

## **Independent Regulatory Board for Auditors (IRBA)**

Yes, there are certain interests, relationships or circumstances that pose threats to independence and need to be addressed. Threats to fundamental principles created by different roles and responsibilities should be considered, and independence considerations relevant to those threats need to be assessed to determine whether any of the threats are at an acceptable level.

Interests and relationships to be considered include:

Direct/material indirect financial interests in the connected party held by the audit firm, network firm, audit team or closely associated persons. For example, where the audit firm/auditor holds a financial interest, such as shares in an asset manager who manages the investments held by the CIV.

The self-interest threat associated with fee dependence on the connected parties to an investment scheme, which includes situations where a significant portion of the audit firm's revenue is derived from the services provided to these connected parties.

The provision of non-audit services to connected parties, which may create self-review or advocacy threats. For example, providing services to a CIV's external fund manager, such as developing a transaction processing system, creates a self-review threat when auditing financial statements that are reliant on that system. Additionally, if a firm provides investment advice to individuals or entities that includes investing in the CIVs audited by the firm, this creates a self-interest threat because investment advisors typically earn fees and commissions based on the financial performance of the CIVs.

Long-standing relationships with connected parties that are also the firm's audit clients, which may create familiarity threats and need to be considered to ensure that they do not impair the auditor's independence.

## **National Association of State Boards of Accountancy (NASBA)**

NASBA recommends that the actuaries and valuation firms are included as interests and relationships that should be addressed and that compensation and its potential to bias an outcome be considered.

## **Jurisdictional Standard Setters**

### **New Zealand External Reporting Board (XRB)**

We have heard that threats to auditor independence are most likely to arise from the provision of non-assurance services to a Connected Party. In evaluating the potential threats, the reasonable and informed third party test must be applied, particularly to the evaluation of:

the nature of the entity – MIS manager, custodian, supervisor, professional advisor

the nature of the services provided - routine and mechanical

the narrowly defined extent of control and oversight by the MIS manager and those charged with governance

whether there is necessary engagement and the extent of that engagement with the connected party by the auditor.

## **Accounting Firms**

### **BDO International (BDO)**

Guidance on which types of services to a connected party may be deemed to benefit the CIV/pension fund could be addressed, particularly in cases when the CIV/pension fund is not a directly identified recipient. At the most basic level any service to a connected party could theoretically benefit all entities for which the connected party is a service provider. This is clearly not the way to best apply the conceptual framework, so addressing these relationships would be beneficial.

Identifying the threats to independence when a business, employment or financial relationship between the audit firm or a member of the audit team exists with a connected party, should be addressed, for example employment relationships between an audit team member's immediate family and a connected party or holding a financial interest in a connected party.

Another area to consider is where the connected party is an individual filling a governance position at the CIV/pension fund on behalf of a corporate firm. The extent of the threat to independence that may arise from relationships between the audit firm and the entity to which the individual belongs should be addressed. There would appear to be a minimal risk in this instance, and applying a broad approach to evaluating all potential relationships would likely bring little benefit.

## **KPMG**

The interests, relationships, or circumstances between auditors and Connected Parties that arise in the audit of CIVs and pension funds are nuanced due to the variety of Connected Parties, as well as the overarching complexity of the investment schemes themselves. Auditors should evaluate interests, relationships, and services where the CIV/pension fund is ultimately impacted by the interest, relationship or service, as these types of circumstances could pose potential threats to auditor independence. Relationships with the engaging party of the CIV or pension fund audit may also create threats to independence in appearance. Applying the conceptual framework in Section 120 allows consideration of significance and materiality to assess whether the relationships or services require safeguards to reduce threats to an acceptable level.

The development of non-authoritative material (NAM) is an option and, if crafted properly, could play a role in promoting consistent application of the conceptual framework, particularly in jurisdictions without specific

regulations. NAM might cover scenarios such as assessing the independence threat from services provided to fund managers or the implications of relationships with advisors. This material could assist auditors in navigating the qualitative and quantitative aspects of these relationships, including when control and significant influence may exist outside of ownership relationships, thus providing a clearer basis for evaluating and addressing any identified threats to independence. It would also remain interoperable with jurisdiction-specific approaches.

However, developing such material would require significant time and resources to ensure it was carefully researched and avoided misrepresentation or added complexity. Given the absence of a clearly identified problem and a low expected return on investment, we do not support allocating resources toward NAM at this time. Instead, we urge the IESBA to prioritize the allocation of staff resources to post-implementation reviews.

### **PwC network (PwC)**

We believe that any threat is most likely to come from the provision of NAS to the connected party and that if the Board determines that further tailored guidance needs to be developed applicable to CIVs, non-authoritative materials could be helpful. The focus could be on circumstances that might create a self-review threat.

While, in rare circumstances, other interests and relationships with connected parties might potentially create threats, they will (and should) depend on the facts and circumstances. Further, as discussed in our response to #4, above, these interests and relationships would be identified through application of the conceptual framework.

However, to the extent that a local jurisdiction has standards or regulations applicable to the audits of CIVs/pension funds, and those standards are geared towards capturing entities that are locally viewed as being relevant 'connected parties' within the jurisdiction, we believe that the local considerations should prevail, given the deeper understanding of the local environment that will be held by local regulators or standard setters.

### **RSM International (RSM)**

We believe there are certain interests, relationships or circumstances between the auditor of a CIV/pension fund and its Connected Parties that should be addressed. Overall, we believe there is a need for clarity by defining 'Connected Parties' and ensuring consistent application of the IESBA Code of Ethics. We identified the following specific interests, relationships or circumstances that we believe should be addressed:

**Definition of 'Connected Parties':** It is important to clearly define Connected Parties within the IESBA Code of Ethics to avoid ambiguity and ensure auditors can apply the rules consistently. 'Connected Parties' should also be incorporated into the definitions of 'audit client' and 'related party'.

**Jurisdictional variations:** We believe different jurisdictions' rules and practices should be considered in determining the criteria for Connected Parties that may be considered a threat to independence, such as Singapore's regulations on asset managers and trustees or Australia's setup for pension plans.

**Unintended consequences:** We believe it is important to consider as many scenarios as possible to avoid unintended consequences, particularly in relation to the asymmetry between a sponsor and a plan given the potential management functions of the sponsor.

We would like to reiterate the importance of clarity so that auditors know how to appropriately and consistently apply the IESBA Code of Ethics.

## **IFAC Member Bodies and Other Professional Accountancy Organizations**

### **ASEAN Federation of Accountants (AFA)**

We believe the Code should explicitly address the following types of relationships and situations that commonly arise in the audit of Investment Schemes:

Provision of non-assurance services by the auditor to fund managers or administrators that may create self-review or advocacy threats (e.g., developing systems used to generate financial data).

Close personal relationships between audit staff and individuals in decision-making roles within Connected Parties (e.g., spouses or close relatives).

Former employment relationships where individuals move between the audit firm and Connected Parties.

Commercial or business arrangements between the audit firm and third-party service providers to the Investment Scheme.

These relationships are prevalent in ASEAN markets and, if not properly assessed, may impair the auditor's objectivity.

We recommend that the IESBA include detailed guidance and illustrative cases in the Code or in a related practice note that addresses how these circumstances should be evaluated under the conceptual framework. Particular attention should be given to indirect threats and cumulative relationships across entities.

### **Institute of Certified Public Accountants of Kenya (ICPAK)**

Auditors of collective investment vehicles and pension funds must be vigilant for a range of interests, relationships, and circumstances that go beyond formal ownership links but nonetheless pose real threats to independence. For example, when an audit firm provides non-audit services—such as investment-valuation, actuarial advice, or information-technology implementation—to the fund manager or administrator, it faces a self-review threat: the auditor may unconsciously favor work they or their colleagues performed.

Similarly, if a significant proportion of the firm's revenue derives from a single CIV or its seed-capital sponsor, the auditor encounters a self-interest threat, as the risk of losing that lucrative engagement might temper their willingness to challenge aggressive accounting estimates or report control weaknesses.

Personal and professional ties can be equally problematic. Auditors who rotate into or out of managerial roles at the fund manager, trustee, or custodian run the risk of familiarity threats, where loyalty or past relationships impair objectivity. Close personal relationships—family ties, friendships, or financial dependencies—with senior executives of connected parties can likewise create familiarity or intimidation threats, particularly if those individuals hold sway over future audit appointments or fees.

Finally, any equity stakes or outstanding loans between the auditor (or their firm) and a promoter, sponsor, or major investor introduce self-interest or intimidation pressures that must be assessed. By identifying and addressing these scenarios—none of which involve formal equity control but all of which can influence audit judgments—practitioners ensure that Section 120's conceptual framework fully captures the independence risks inherent in CIV and pension-fund audits.

## **Institute of Certified Public Accountants of Uganda (ICPAU)**

Yes, we believe that there are specific interests, relationships, and circumstances between the auditor of a CIV or pension fund and its Connected Parties that should be explicitly addressed to strengthen the assessment of auditor independence. The IESBA consultation paper highlights that the unique structure and governance of CIVs and pension funds can create relationships that may not clearly fall under traditional independence rules but still pose significant threats.

For instance, a particular area of concern involves instances where the auditor provides non-assurance services to connected parties who may exert significant influence over a scheme. This is especially true for situations where the funds are being managed or administered under an umbrella situation, such that the administrator or fund manager eventually has a big portfolio of funds under their management. Such situations lead to situations of shared ownership, cross-directorships, or joint ventures, which can create self-interest, familiarity, or advocacy threats.

Given these risks, it would be prudent for the Code to include clearer guidance on identifying and evaluating such complex relationships in the context of CIVs and pension funds. Addressing these relationships explicitly will help promote more consistent global practices, support stronger safeguards, and ultimately reinforce confidence in the auditor's independence in these complex environments.

## **Institute of Chartered Accountants of Jamaica (ICAJ)**

Yes, specific interests and relationships involving Connected Parties that satisfy paragraph 35 criteria should be explicitly addressed. These include:

Management or advisory relationships with parties responsible for fund operations;

Financial dependencies or significant business relationships between the audit firm and Connected Parties;

Shared personnel or family relationships that may impair objectivity.

Such relationships pose significant self-interest, familiarity, and advocacy threats to independence. Given their ability to influence the financial reporting process, these interactions should be clearly identified and appropriately safeguarded within the Code.

## **Malaysian Institute of Accountants (MIA)**

Apart from the matters highlighted in our previous responses, we believe it may also be helpful to consider the possibility of common ownership or sponsorship. For instance, where a sponsor or investment adviser holds ownership interests in both the CIV and other entities audited by the same firm, independence threats may arise due to actual or perceived conflicts of interest.

## **Pan African Federation for Accountants (PAFA)**

Yes. There are several types of relationships and circumstances that pose potential threats to auditor independence in the context of CIVs and pension funds, including:

Auditors providing non-audit services (e.g., internal audit or valuation) to Connected Parties while also auditing the funds.

Familiarity threats arise from personal or business relationships between audit partners and fund management staff.



Revolving door risks, where former audit firm staff take up roles in management or administration shortly after leaving the firm.

Undisclosed financial interests or shared ownership arrangements between audit firm partners and service providers.

Such scenarios, especially in environments with limited regulatory enforcement, highlight the need for stronger safeguards and explicit treatment within the Code to uphold independence in practice

### **Saudi Organization for Chartered and Professional Accountants (SOCPA)**

Since investment schemes can significantly vary in its forms (e.g. public, private, real estate...etc.) and between jurisdictional laws and regulations, we believe that the project explained in the CP should focus more on clarifying the 'related entities' term with regard to the independence assessment when auditing different types of entities, including investment schemes. This is important because establishing new terms that are to be used only in a certain industry (investment schemes) may have unintended consequences, such as increased complexity in the Code, and a potential need for other terms or requirements to cover certain circumstances or relationships that are unique to particular industries. Additionally, the proposed clarification, with regard to the relationships associated with investment schemes which need to be considered in the independence assessment, should refer auditors to consider relevant legal requirements which may specify certain relationships as threatening auditors' independence when auditing investment schemes.

Generally, we believe that there are several specific interests, relationships, and circumstances between auditors and Connected Parties of investment schemes that may warrant further explicit guidance (in the form of application materials) in the Code, to safeguard independence such as:

Financial Relationships: Self-interest threat where auditor may compromise objectivity to retain consulting work.

Employment Relationships: Familiarity threat where personal relationships may negatively affecting professional skepticism.

Service Provision: Self-review threat when auditing work the firm had helped create.

Governance Overlaps: Advocacy threat through perceived joint interests.

### **South African Institute of Chartered Accountants (SAICA)**

Yes, several types of relationships should be explicitly addressed, including:

Provision of non-assurance services to Connected Parties that influence the Scheme's financial reporting.

Financial or familiarity relationships between audit firm personnel and key individuals at Connected Parties.

Situations where the auditor has previously worked with or for a Connected Party in a capacity that could impair objectivity. These scenarios can create self-review, self-interest, or intimidation threats that may not be adequately mitigated under the current framework without specific guidance.



## **Disagree**

### **Accounting Firms**

#### **Ernst & Young Global (EY)**

We are not aware of any other interests, relationships or circumstances between the auditor of an Investment Scheme and its Connected Parties that should be addressed.

#### **Grant Thornton International (GTIL)**

No, we have not identified any interests, relationships, or circumstances between the auditor of a CIV/pension fund and its Connected Parties that need to be addressed.

### **IFAC Member Bodies and Other Professional Accountancy Organizations**

#### **Chartered Accountants Australia and New Zealand (CA ANZ)**

In our view, interests, relationships or circumstances between the auditor of a CIV/pension fund and relevant parties are already appropriately addressed under the existing threats and safeguards approach within the principles-based Code.

#### **Chamber of Auditors Czech Republic (CACR)**

None identified.

#### **Chartered Accountants Ireland (CAI)**

We believe that the current framework covers a broad range of the types of relationships and interests that can arise. Although the framework does not provide industry specific examples, in this context, for CIVs and pension funds, professional accountants with relevant industry knowledge and experience can easily apply these principles using their professional judgements.

#### **Compagnie Nationale des Commissaires aux Comptes (CNCC)**

We have not identified any interests, relationships or circumstances between the auditor of a CIV/pension fund and its "connected parties" that should be addressed. We believe that the Code of Ethics already addresses key questions and suggests ways to address them.

#### **Malta Institute of Accountants**

We see no compelling reason to expand the Code to add new categories of relationships or to make other structural amendments.

#### **Pennsylvania Institute of CPAs (PICPA)**

We are not aware of any problems with the operation of the current standards in the United States.

## **The Malaysian Institute of Certified Public Accountants (MICPA)**

We believe there are no further interests, relationships, or circumstances between the auditor of a CIV/pension fund and its Connected Parties that should be addressed.

## **Wirtschaftsprüferkammer (WPK)**

In the WPK's view, it is not necessary to add specific provisions to the Code in respect of interests, relationships, or circumstances between the auditor and third parties connected with the CIV/pension fund since the existing rules of the conceptual framework are sufficient and appropriate to fully address them also with regard to such structures and circumstances.

## **Disagree With Comments**

### **Investors and Analysts**

### **European Fund and Asset Management Association (EFAMA)**

As noted in responses above, we believe the Conceptual Framework and the existing framework is sufficient in guiding the auditors to identify, evaluate and address threats to independence created by professional services, interests and relationships with Connected Parties and therefore EFAMA is not aware of any interest, relationships or circumstances that deserve to be specifically addressed.

## **Jurisdictional Standard Setters**

### **Accounting Professional & Ethical Standards Board (APESB)**

APESB is of the view that the IESBA Code already identifies interests, relationships and circumstances, such as the provision of Non-Assurance Services, that should be considered when undertaking an independence assessment for CIVs and their Connected Parties.

As noted in our response to question 1, specific auditor independence requirements, including interests, relationships and circumstances to consider for registered MISs and superannuation entities are set out in Sections 324CH to 324CL of the Corporations Act 2001. APESB note that the categories cover financial interests, business relationships, employment circumstances, director or officer roles, loans and guarantees. The IESBA Project Team may wish to consider the categories specified in Australian legislation to assess their consistency with the categories already defined in the IESBA Code.

## **Accounting Firms**

### **Deloitte**

As noted in our introductory comments, Deloitte Global believes that the proper application of the conceptual framework is sufficient to determine which relevant parties are Related Entities of the audit client Investment Scheme. Additionally, the framework enables auditors to identify and address any threats to independence arising from interests, relationships or other circumstances with parties which are not Related Entities, where such relationships might impact auditor's independence with respect to the Investment Scheme.

## **Forvis Mazars**

We have not identified any interests, relationships or circumstances between the auditor of a CIV/pension fund and its “Connected Parties” that should be addressed in the provisions of the Code. However, we do not believe that a principles-based Code can necessarily address all interests, relations or circumstances. Any examples of such circumstances should be addressed in non-authoritative material and guidance, rather than in the code.

The IESBA may wish to consider, in its guidance, which types of collective investment vehicles and pension funds are being addressed and any particular issues relating to certain types of scheme. For example, how any guidance would apply to US-style Employee Benefit Plans and Public Sector Pension Funds, as opposed to private pension plans.

## **IFAC Member Bodies and Other Professional Accountancy Organizations**

### **Accountancy Europe (AE)**

#### **Context and Observations**

We consider that many of the relationships and scenarios relevant to CIVs and pension funds including those involving indirect stakeholders, are already addressed under the current conceptual framework. The principles-based structure of the Code supports an assessment of threats to independence based not only on formal client relationships, but also on the broader context in which professional services are delivered. For example, the provision of services to parties closely linked to the fund, such as fund managers, is typically considered by practitioners in line with existing guidance.

#### **Complexities**

Certain scenarios, such as the provision of non-assurance services to fund managers while undertaking audit engagements for associated funds may involve additional layers of assessment. While these parties may not be the audit client, their connection to the fund can raise questions about how to appropriately evaluate professional relationships, particularly where service or fee dynamics are complex. Such cases can be challenging to navigate in practice, especially when services span multiple entities or functions.

#### **Conclusion and Recommendation**

We do not see a need to expand the Code to include new categories of relationships or make any other structural changes. The existing conceptual framework is robust and sufficient to address the complexities of CIV and pension fund structures. If any further support is deemed necessary, it would be more appropriate for local regulators to issue jurisdiction-specific clarifications or provide other resources that take into consideration local specificities when applying the conceptual framework.

## **American Institute of Certified Public Accountants (AICPA) PEEC**

There are no interests, relationships, or circumstances relevant to Investment Schemes that should be specifically addressed by the IESBA code. Rather, the conceptual framework combined with the fundamental principles and broad concepts in the code’s related entity guidance are sufficient. The diverse and sometimes complex organizational structures that exist around the world call for the use of broad measurement criteria to determine which entities should be considered related entities of an audit client. Investment Schemes are not regulated in the same way and are not serviced in the same ways by third parties across jurisdictions. These variations make any definition of a “Connected Party” unworkable.

The imposition of a rules-based requirement on jurisdictions such as the United States that already have laws, regulations, or other professional standards that address risks unique to Investment Schemes in that jurisdiction, is counterproductive. We are not aware of any recent issues in the United States related to third parties of Investment Schemes.

## Assirevi

Assirevi analyzed the criteria established by the Consultation Paper under discussion, particularly with regard to Collective Investment Vehicles (CIV)/pension funds and the definition of "Connected Parties". Assirevi does not believe that it is necessary to introduce additional criteria, other than those already included in the IESBA Code, to define further entities that may be "connected parties", as better explained below.

The criteria reflected in the Consultation Paper are theoretical in nature and are not universally applicable as a common baseline across all jurisdictions. They do not account for the variations in CIV/pension fund structures and governance, as defined and regulated under different jurisdictions (including Italy). These structures range in the different jurisdictions from situation where own internal governance is established (including the Board of Directors and other roles discharged by Those Charged with Governance) to structures without internal governance roles. In such cases, laws and regulations provide for i) applicable structures and related governance, including with respect to any delegations and associated responsibilities, ii) auditors' independence rules. All such laws and regulations are applied in the independence assessment, without any need to introduce a definition of "connected parties".

Furthermore, the criteria reflected in the Consultation Paper highlight activities that may or may not be assigned to third parties. In most instances, the delegated parties and/or external providers are independent intermediaries and organisations that offer these activities as services to numerous unrelated CIVs/pension funds. Taking the view that these independent intermediaries and organisations, which may or may not meet the proposed criteria, are connected parties would lead to consider these organizations not as service providers, but as part of the CIV/pension fund governance, even if local laws do not consider them as "connected parties".

In addition, such an approach could lead to unintended consequence whereby these entities would be considered "connected parties" for a significant number of CIVs/pension funds. Consequently, by adopting independence rules and provisions concerning these service providers, the IESBA would impose multiple unnecessary and excessive independence constraints on third parties, which would not address the perceived gap described in the Consultation Paper.

Therefore, Assirevi believes that the proposal to apply general standard provisions to CIVs/pension funds without considering jurisdictional variations will result in numerous unintended consequences that would outweigh the intended benefits for the public interest. Additionally, we observe that the Consultation Paper accurately explains that there is no evidence of failures related to independence issues arising from interests, relationships, and other circumstances regarding CIV/pension fund auditors and "Connected parties".

Therefore, we do not deem it necessary to introduce additional criteria, other than those included in the IESBA Code, to define further entities that may be "connected parties", as these are already identified through the application of local laws, including those related to independence. Should there be parties that are not explicitly included in the scope identified by the IESBA Code or local laws (as it is the case for the Italian law), Assirevi strongly believes that the "conceptual framework" identified by the IESBA Code in Section 120 and the definition of "related parties" is clear enough to assess and address threats arising from all relevant circumstances, including interests and relationships, without the need to introduce the "Connected Parties" definition. For the same reason, we also do not consider necessary to identify further interests, relationships, or circumstances beyond those already outlined by the Code in Section 120.

## **Association of Chartered Certified Accountants (ACCA)**

We believe that many of the relationships and scenarios relevant to collective investment vehicles (CIVs) and pension funds, including those involving indirect stakeholders, are already covered by the existing conceptual framework. The Code's principles-based approach allows for the evaluation of independence threats not only in relation to formal client relationships but also within the broader context of how professional services are provided. However, further clarification could be helpful. In this regard, we encourage the development of non-authoritative guidance for example, through illustrative scenarios or FAQs to provide practical examples of how these principles apply in commonly encountered but complex situations. This may enhance understanding and application without requiring structural changes to the Code itself.

## **Chartered Professional Accountants Canada (CPAC)**

The ISC believes that these are necessarily and sufficiently addressed through application of the conceptual framework because it is not possible to specifically identify all possible threats to an auditor's independence from Connected Parties without creating unintended consequences and unnecessary regulatory burden.

The ISC thinks that the conceptual framework is a more appropriate and practical tool to identify, evaluate and address any threats to an auditor's independence from Connected Parties, such as business or personal relationships. While this approach requires the auditor to remain alert and use professional judgement, it also allows the auditor to assess their independence even when fact patterns or circumstances change and does not cause undue regulatory burden by prohibiting firms from providing non-assurance services to Connected Parties when a threat could be addressed equally well with safeguards.

The ISC would have concerns with extending rules-based independence requirements to Connected Parties because there would be very difficult practical constraints. For example, a fund administrator (Connected Party) may provide support to multiple investment funds that are audited by different firms, so each firm who audits some of these investment funds would have to be independent of that fund administrator, and consequently the fund administrator would have very few options in terms of service providers for non-assurance services.

Stakeholders that the ISC consulted with are of the view that the risk of unintended consequences with a rules-based approach is high, with little added benefit because of complexity. Stakeholders expressed concerns with additional regulatory burden when there have been no issues or concerns raised to suggest that there is a gap in an auditor's independence assessment for mutual funds or pension plans. The ISC agrees with stakeholders that standard-setting action should ideally be reserved for when it is needed to address gaps or achieve consistency, to prevent standard-setting fatigue.

The ISC observes that adoption and implementation of the IESBA's PIE definition has been challenging given the need for extensive research and consultation with regulators and other key stakeholders to refine the IESBA's definition into local definitions that align with law and regulation in each jurisdiction.

Similarly, the ISC notes that different laws and regulations and governance structures apply to CIVs and pension funds depending on the jurisdiction, and thinks that this would be another project that would require local refinement in coordination with those charged with oversight of Investment Schemes and practitioners to ensure that undue regulatory burden is not imposed in Canada.

The ISC thinks that pursuing projects in the IESBA Code that have in many jurisdictions been addressed by regulators may lead to less and less convergence to the IESBA Code, and declining confidence in the Code as a consistently applied set of independence standards. The ISC thinks that keeping the Code principles-based and issuing non-authoritative material where those principles might benefit from further context, such as in the case of

applying the conceptual framework to Connected Parties of CIVs and pension funds, will ensure that the Code continues to be adopted and applied consistently, without extensive need for local refinement.

## **Institut des réviseurs d'entreprises in Luxembourg (IRE)**

Response 5 – The Code mandates consideration of service beneficiaries when providing non-audit services, which is crucial for accurately evaluating independence threats and implementing appropriate safeguards. Addressing interests, relationships, or circumstances between auditors of CIVs/pension funds and their Connected Parties necessitates similarly rigorous evaluations.

When considering the regulatory context around Investment Fund Managers (IFMs) in Luxembourg and those entities identified as Connected Parties in the Consultation Paper, the IRE emphasizes the importance of maintaining a principles-based approach within the Code, allowing for scalability and local amendments to suit diverse regulatory environments. Therefore, instead of broadening the definition of "related entity" or establishing a new definition for "connected party," we support for the release of non-authoritative local guidance, such as FAQs or illustrative examples for complex scenarios. This approach would promote a consistent application of the conceptual framework while effectively addressing independence risks arising from professional activities, interests, and relationships between the auditor and the connected parties of a Collective Investment Vehicle (CIV).

Where the auditor or its network provides non-audit services to service providers of an investment fund, such as fund administrators, depositaries, AIFMs, or other operational providers, potential threats to independence need to be considered.

However, such threats can often be effectively mitigated by a combination of structural safeguards, operational separation, and reliance on independent assurance frameworks.

### **Nature of the Service Providers**

The most frequent recipients of non-audit services are third-party service providers that are not related to the governing body of the investment fund and do not participate in management decisions regarding the fund itself. They typically act under defined mandates with limited discretion. In this respect, then, the threat of inappropriate influence over the financial reporting process of the audited fund is lower.

### **Independent Assurance Reports (e.g., ISAE 3402, SSAE 18 / SAS 70)**

Most of these service providers are also subject to independent assurance engagements, such as ISAE 3402 (Type I or II) or SSAE 18 SOC 1 reports. These are reviewed by independent auditors, providing further assurance on the design and operating effectiveness of the internal controls in place. Such independent oversight alleviates self-review and familiarity threats because the quality of the underlying data and processes can be verified independently.

### **Organizational Separation of Teams**

Another effective measure is organizational and functional separation between the non-audit and audit teams. Practically, the individuals providing non-audit services to Connected Parties are not part of the audit engagement team, and they don't influence the audit procedures or judgments. Clear independence protocols and firewalls ensure that there is no overlap in personnel, and no access to audit documentation or discussions.

### **Materiality and Relevance**

In the majority of cases, the services provided to the Connected Parties do not directly impact the subject matter of the audit of the fund. An example would be a tax compliance engagement for an underlying SPV, or advisory on other unrelated regulatory issues for an AIFM, which may be immaterial or not relevant to the financial statements

of the fund. Each engagement is therefore considered on a case-by-case basis to determine whether the service gives rise to a self-review, advocacy, or other ethical threat.

#### Documentation and Oversight

Audit firms usually have a centralized independence clearance process, which includes when relevant:

- formal consideration of relationships with Connected Parties,
- approval by an ethics committee or independence officer, and
- documentation of the threats identified and safeguards applied.

This ensures that all of the services are duly assessed prior to acceptance, and that the objectivity of the auditor is not undermined.

In sum, while the existing Code provisions are robust, additional clarity in application, in the form of non-authoritative local guidance, could reinforce understanding and execution of auditor responsibilities in diverse operational environments.

### **Institute of Chartered Accountants England and Wales (ICAEW)**

As stated above, ICAEW considers that the existing Fundamental Principles; Conceptual Framework; and the requirement for professional accountants to maintain an inquiring mind and to exercise professional judgement, are sufficient to ensure auditor independence in practice.

### **Institute of Chartered Accountants of Pakistan (ICAP)**

We understand that any interest or relationship that could impair or appear to impair the independence of the auditor must be disclosed, evaluated, and mitigated—either through safeguards or by recusal/replacement.

We believe that the code sufficiently covers guidance for the professional accountants on the financial interest (directly or indirectly), previous employment or family relationships and other circumstances, however it may cover the examples /circumstances when the same audit firm rotates across multiple CIVs within a single fund structure managed by a Connected Party. This is particularly relevant where the audit firm becomes increasingly economically reliant on the collective audit portfolio, or where recurring engagement with similar management teams and governance bodies across different CIVs fosters undue familiarity over time -increases the risks of self-interest and familiarity threats.

### **Institute of Chartered Accountants of Scotland (ICAS)**

We don't believe there is a need for IESBA to specifically address any such matters. Although we are aware of certain jurisdictions that do specifically address such matters we do not believe that there is any need for specific revisions to the Code. This is because of the differences in jurisdictional legislation, regulations etc and we believe that such matters are best left to the respective jurisdictions to deal with as they deem appropriate.

### **Institute of Singapore Chartered Accountants (ISCA)**

As mentioned in our response to Questions 2 and 3, we believe that proper application of the conceptual framework and definition of related entity sufficiently guides the auditor to identify relevant parties of CIVs/pension



funds, consider objectivity in relation to these parties, and to assess whether safeguards can be applied to reduce threats to an acceptable level.

Therefore, introducing a new term “Connected Party” based on the criteria set out in paragraph 35 of the CP, appears to be unnecessary or inconsistent with the broader objectives of a global code. We suggest that IESBA provide clarification on the proper application of the extant Code with respect to audits of CIVs/pension funds through non-authoritative materials instead.

### **International Federation for Accountants (IFAC)**

There are specific relationships or scenarios, such as close commercial or governance links between fund managers and auditors that warrant consideration; however, we have not identified any such area that necessitates a change to the Code’s scope. Such situations are effectively addressed under the existing threats and safeguards approach within the Code, and evidence received from these bodies would also be subject to consideration under the requirements of auditing standards. Adding new mandatory inclusions or rules in the Code could result in unintended consequences, such as requiring auditors to assess or monitor relationships beyond their direct visibility, increasing cost and complexity without commensurate benefit.

It should also be remembered that while CIVs or Pension Funds may well have advisers or third parties that have a role in decision making, these arrangements will have Trustees who are the ultimate decision makers and can remove the third parties making operational decisions. Structures with these complex layers of decision makers are far more suited to be considered through principles-based guidance that can be used to examine specific threats and safeguards in particular situations rather than prescriptive requirements which will be challenging to apply to such areas.

### **Intitut Der Wirtschaftsprüfer (IDW)**

As discussed in Q2, there are specific relationships and scenarios, such as close commercial or governance links between fund managers and auditors that could conceivably warrant consideration. However, such situations are effectively addressed under the existing threats and safeguards approach within the Code. Adding new rules in the Code could result in unintended consequences, such as requiring auditors to assess or monitor relationships beyond their direct visibility (which might not be feasible), and increasing cost and complexity. The analysis of various (sometimes theoretical) scenarios related to topics such as the provision of non-assurance services or the identification of family and personal relationships and the associated documentation could place an unreasonable administrative burden on auditors, their clients and connected parties. It could also impose a disproportionate burden on jurisdictional standard setters and regulators, who would need to adapt existing definitions and requirements, which would often have to be tailored to diverse structures. In Germany, for example, the diversity of structures is illustrated in our response to Q6. We believe the considerable additional effort would offer little added value in terms of improved audit quality.

### **Japanese Institute of Chartered Accountants (JICPA)**

The circumstances of investment scheme systems and their organizational structures vary by jurisdiction. Therefore, we believe it is appropriate to consider interests, relationships, or circumstances between the auditor of the investment scheme and the “connected party” based on the fundamental principles of the conceptual framework in Section 120, in accordance with the guidance established by the standard setters in each jurisdiction.

## **Korean Institute of Certified Public Accountants (KICPA)**

We have no other particular suggestions to make. The extant Code sufficiently cover the interests, relationships or circumstances (for example, employment relationships, financial interests or provision of non-audit services) between the auditor and audit clients (including related entities) that may create a risk of undermining the independence. However, as noted in the response for Question 2, supplementing the Code with additional application or non-authoritative materials applicable to the audits of CIVs would help the auditor better address the threat to independence arising from the situations unique to CIVs.

## **No specific comment**

## **Investors and Analysts**

## **Association of the Luxembourg Fund Industry (ALFI)**

Important considerations

ALFI would like to respond to two distinct points in the consultation, namely:

Questions 1&2 in relation to the impact of changes to the definition of “related entity”; and

Question 6 Luxembourg (and EU) jurisdictional requirements specific to CIVs / pension funds from an auditor perspective.

## **Investment Company Institute (ICI)**

Refer to General Comments for response

## **Accounting Firms**

## **MO Chartered Accountants Zimbabwe**

Refer to General Comments for response

## **Pitcher Partners**

Refer answers 1-4.

## **IFAC Member Bodies and Other Professional Accountancy Organizations**

## **CPA Australia**

Please see CPA Australia’s response to Question 2 above.

## **Global Accounting Alliance (GAA)**

Refer to General Comments for response

### **Hong Kong Institute of Certified Public Accountants (HKICPA)**

We have no comments regarding this question.

### **Institute of Accredited Auditors for Financial Institutions (IREFI-IRAIF) Global Accounting Alliance (GAA)**

Refer to General Comments for response

### **Royal Netherland Institute of Chartered Accountants (NBA)**

Refer to General Comments for response