

## **CIVs and Pension Funds**

**Question 4 – Do you believe that the conceptual framework in Section 120 of the Code is consistently applied in practice with respect to the assessment of auditor independence in relation to Connected Parties when auditing CIV or pension fund?**

**Please provide reasons for your response**

**Yes**

### **Regulators and Audit Oversight Authorities**

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

Yes, we believe it is consistently applied in practice with respect to the assessment of auditor independence in relation to Connected Parties when auditing a CIV/pension fund

### **Accounting Firms**

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

We have not found any evidence that the conceptual framework is not consistently applied in practice with respect to auditing CIVs or PFs. As such, we believe that the conceptual framework is consistently applied in practice with respect to the assessment of auditor independence in relation to Connected Parties when auditing CIVs and PFs.

### **Pitcher Partners**

Yes. Auditors are familiar with the code and as per the IESBAs own research this is not an area where the public interest has been impacted by any perceived or actual lack of auditor independence.

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

#### **Assirevi**

Assirevi is not a Supervisory Authority. Consequently, it does not have a comprehensive view on how Section 120 of the Code is applied in practice by professional accountants.

However, considering the outcome of internal discussions within the Association, Assirevi believes that Section 120 has been consistently applied by its Associates in assessing auditor independence when auditing a CIV/pension fund.

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

We believe that the conceptual framework is consistently applied in practice with respect to the assessment of auditor independence for CIVs/pension funds. This is on the basis that we are not aware of any evidence to the contrary.

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

In Canada, the vast majority of these audits are conducted by large firms, particularly when the mutual fund is a “reporting issuer”. Large firms report having developed policies and procedures to identify, evaluate and address threats to their independence from activities, relationships and interests with Connected Parties of a mutual fund or pension plan.

The ISC also spoke with small and medium practitioners that audit pension plans who report that they apply the conceptual framework to identify, evaluate and address threats to their independence from services provided to plan administrators.

Stakeholders that the ISC consulted with are not aware of any events or circumstances that would lead them to believe that the conceptual framework is not being consistently applied in Canada with respect to the assessment of auditor independence in relation to Connected Parties when auditing a CIV/pension fund.

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

We believe that the conceptual framework in Section 120 of the Code is consistently applied in practices with respect to the assessment of auditor independence in relation to “connected parties” when auditing a CIV/pension fund. As a matter of fact, CIV’s auditors already assess their independence when the asset manager requires non-audit services. In this case, the auditors apply the conceptual framework of the Code in order to accept or decline the other service engagement.

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

We believe that the conceptual framework in Section 120 of the Code is consistently applied in practice with respect to the assessment of auditor independence in relation to Connected Parties when auditing a CIV/pension fund. The Code provides that it is in the public interest that professional accountants (PAs) be independent when performing audit engagements. To meet this objective, paragraphs 400.6, R400.18 and R400.19 establish that the Code requires firms to consistently comply with the fundamental principles and apply the conceptual framework. Part 1 of the Code provides a path for auditors to consider facts and circumstances that may present threats to independence when auditing an Investment Scheme. Independence is linked to the principles of objectivity and integrity, which are fundamental to audit quality, and this is only achievable when the fundamental ethical principles are consistently applied.

## **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 agree that the conceptual framework in Section 120 of the Code is consistently applied in practice with respect to the assessment of auditor independence.

## **Yes, With Comments**

### **Investors and Analysts**

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

Yes. For EFAMA, as noted in responses to Questions 2 and 3 above, the application of the existing framework has not raised any consistency concerns. We believe that the Conceptual Framework set out in Section 120 of the IESBA Code is applied consistently in practice when assessing auditor independence in relation to connected parties in the context of CIVs and Pension Funds. The auditors are required to assess self review/self interest threats under the current ethical standards which is considered sufficient. In general, auditors are required to apply a risk-based and principles-driven approach, in line with that section of the Code, and we trust that, to the extent of possible, that is being reinforced by the training and guidance provided by the professional organisations for auditors. Local public audit oversight authorities also review and monitors independence issues during audit quality review inspections and other supervisory activities on auditors.

### **Jurisdictional Standard Setters**

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

Due to existing legislative requirements in Australia, APESB is of the view that auditor independence requirements are consistently applied to MISs that operate under the Corporations Act 2001. It is not clear whether this is the case when the provisions of this Act do not apply.

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

Section 120 and the fundamental principles that should be applied when evaluating potential threats is clear. Based on our understanding, in New Zealand, the fundamental principles are being consistently applied. Our understanding is that the New Zealand specific custodian and supervisor roles (described in our answer to question 1 above) are not being included in the assessment of independence. There remains an open question as to whether they need to be.

The MIS and MIS manager (in respect of the financial statements of the MIS they manage) are included in the New Zealand Public Interest Entity (PIE) definition and are subject to the highest independence requirements under PES 1. We have not heard of any independence issues in New Zealand.

### **Accounting Firms**

#### **Deloitte**

Deloitte Global is not aware of any evidence indicating that the conceptual framework is not being properly applied. We would like to stress that the proper application of the conceptual framework may result in a variety of outcomes depending on the specific facts and circumstances, and that is the value of a principles-based, globally operable framework. Therefore, we believe that consistency of application should be considered at a local level. Applicable laws and regulations, existing jurisdictional independence requirements, and unique Investment Scheme structures will all be relevant to how the conceptual framework is applied to Investment Schemes in a particular jurisdiction.

## Ernst & Young Global (EY)

We have not experienced inconsistent application by our member firms in situations where the underlying relevant facts and circumstances have been the same or similar. The EY Global Independence Policy requires all our network member firms to comply with the independence standards applicable to specific engagements, including application of the Code's Conceptual Framework. The application of the Conceptual Framework requires consideration by the PA of all relevant facts and circumstances and the exercise of professional judgement. As noted in our response to question one, we do believe the Conceptual Framework is sufficiently robust and is capable of guiding PAs to consider whether professional services, interests, or relationships with entities that the IESBA contemplates under the Connected Party concept might create threats to the independence of Investment Schemes' auditors. Given that the IESBA itself has not identified any Investment Scheme financial failure in which an auditor's lack of independence was a contributing factor, we believe it would be prudent for the IESBA to conduct a robust cost/impact/benefit analysis prior to proposing revisions to the Code, including new requirements or definitions. Otherwise, we see a risk of the Code becoming a more rules-based set of standards, which could have the consequence of PAs focusing on the rules and not sufficiently and consistently applying the Conceptual Framework, including having an inquiring mind, and thereby overlooking facts and circumstances that should be considered when applying an appropriate level of professional judgement.

## Forvis Mazars

Yes. For larger network firms operating as members of the Forum of Firms, such as Forvis Mazars, the IESBA Code is consistently applied, as international networks issue guidance to ensure consistency in application, particularly for transnational audits.

However, given the varied adoption of the Code around the world, with many jurisdictions still using previous versions of the Code, it is difficult to claim that the Code is consistently applied in practice in all jurisdictions by all firms. Furthermore the different jurisdictional requirements around CIVs and pension funds might give rise to different local interpretations – however, this would be an appropriate outcome for a principles-based code and application of the conceptual framework by auditors when assessing their independence.

## PwC network (PwC)

Naturally we cannot speak for other professional firms and accountants in terms of consistent application, but we believe that within the PwC network our overall approach to the acceptance and continuance of both assurance and non-assurance services have appropriate regard to circumstances that might create threats to independence and that audit engagement teams give consideration to facts and circumstances that might create threats. This is grounded in the conceptual framework approach in the Code.

For example, our acceptance processes relating to new non-assurance services (NAS) to unrestricted clients involve identifying the beneficiary of the services to capture scenarios where the beneficiary might be a restricted entity (the “look-through” principle or “indirect services”). This is consistent with the conceptual framework approach. If the analysis identifies that an investment scheme under audit would be a beneficiary of a proposed service and that the provision of the service might create a self-review threat in relation to the audit of the scheme, then the scheme audit engagement partner would evaluate and determine, based on the facts and circumstances, as to whether the firm could proceed with that NAS.

The same principle would apply regarding any proposal to enter into a close business relationship with an unrestricted entity.

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

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

#### **Context and Framework**

We consider the conceptual framework in the IESBA Code to be broadly both clear and appropriate for application in the context of CIV and pension fund structures. Its principles-based design supports a risk-oriented and substance-over-form approach, which is essential when dealing with complex and often decentralised fund governance models.

The flexibility of the framework, particularly its emphasis on identifying threats and applying safeguards based on professional judgment, may be regarded as a key asset in addressing the complexities of such structures. It enables practitioners to assess independence considering diverse fund structures and stakeholder arrangements, including relationships that are not clearly visible or are indirect. However, practical implementation support may enhance consistency where the framework's flexibility may lead to varied interpretations.

While audit firms generally aim to apply the conceptual framework consistently, the outcomes of its application may vary across jurisdictions. These differences do not reflect inconsistent application as such, but rather how the framework is interpreted in response to local governance practices, regulatory expectations, and the specific characteristics of fund structures.

#### **Practical Considerations and Observations**

Although the framework promotes a consistent approach, its practical implementation can differ depending on jurisdiction-specific factors. This does not indicate a weakness in the framework but highlights the influence of local context in shaping its application.

#### **Conclusion and Recommendation**

We do not believe that changes to the conceptual framework are warranted. Finally, communication and training could support more consistent interpretation and help practitioners better navigate complex fund environments while maintaining the core integrity of the Code.

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

The conceptual framework does provide a robust framework for practitioners to use when evaluating threats to independence and applying effective safeguards, and we believe that the conceptual framework is appropriately understood and is applied based on facts and circumstances, as necessary, by practitioners in the United States. Our belief seems consistent with the consultation paper which notes that "...the Project Team has not identified any Investment Scheme financial failure in which an auditor's lack of independence was a contributing factor."

The regulations and professional standards developed for Investment Schemes that exist in the United States allow PAs to consistently and appropriately identify and assess threats to independence related to Investment Schemes. We believe the conceptual framework provides a consistent approach for evaluating threats that arise from relationships or circumstances that are not specifically covered by those regulations and professional standards.

## Chartered Accountants Ireland (CAI)

As part of their independence assessments, audit firms consider key indicators of control and influence in relation to Related Entities. Specifically, they assess voting rights and ownership thresholds, taking into account situations where there is control (i.e., greater than 50% of voting rights) as well as those where there may be significant influence (i.e., ownership or rights exceeding 20%). These assessments are conducted with a focus on determining whether such relationships could give rise to threats to independence and, where necessary, applying appropriate safeguards.

As such, Chartered Accountants Ireland considers that the existing approach provides a sound and effective basis for maintaining auditor independence in the context of CIVs and pension funds.

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

Response 4 – Drawing from the insights provided in Question 3, the Code offers a clear and comprehensive approach for auditors to identify, evaluate, and address threats to independence. It ensures that ethical principles are uniformly applied across varying legal structures and regulatory contexts. Luxembourg's regulatory environment further bolsters this consistent application through mandated distinctions between third-party entities and CIVs. While additional non-authoritative local guidance could enhance understanding, the existing framework already provides auditors with the tools necessary to maintain independence and uphold ethical standards efficiently. The consistent practice of these principles demonstrates the framework's robustness and adaptability, ensuring its relevance in varying operational environments.

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

ICAEW is not aware of any concerns, in the UK, about the consistent application of the Conceptual Framework in this sector.

Should IESBA identify any particular quality concerns within the collective investment vehicle/pension funds sector as a result of the feedback to this consultation, then it may wish to consider issuing non-authoritative material in the form of a bulletin or staff guidance.

However, ICAEW does not consider it necessary to include any additional guidance within the Code itself.

## Institute of Chartered Accountants of Pakistan (ICAP)

Paragraph R120.5 requires the chartered accountant to have an inquiring mind, exercise professional judgment and perform the reasonable and informed third party test When applying the conceptual framework. While these are important tools, however in practice, interpretations can vary significantly between firms, jurisdictions, and engagement partner understanding in determining:

Whether a Connected Party poses a self-interest, familiarity, or self-review threat;

Whether such threats are at an acceptable level; and

What level of influence or control should trigger the need to apply safeguards or withdraw from the engagement.

We believe that the conceptual framework (Section 120) of the Code is consistently applied in practice for the assessment of auditor's independence with respect to Connected Parties when auditing a CIV / pension fund, however we believe that additional guidance would be helpful for the auditors in this regard.

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

Whilst we cannot state that it is consistently applied in all situations, as we only have knowledge within our own jurisdiction, we do believe that audit firms place considerable focus on ensuring that any threats are identified and appropriately addressed in the specific facts and circumstances. We believe this to be an appropriate means of identifying any threats to the independence of the auditor and in ensuring that any such threats are appropriately responded to and addressed. There is a risk that introducing new terms into the Code will merely increase complexity and not meet the intended aims.

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

Whilst we acknowledge that it is difficult to determine whether the conceptual framework is consistently applied in this area, we are not aware of any evidence suggesting it is not. We understand there may be challenges, particularly in jurisdictions with less-developed regulatory ecosystems or where firms have fewer resources, but revisions to the Code would be counterproductive in providing support in such cases. These would increase complexity, expanding the issue rather than providing support. If the Consultation provides strong evidence that the conceptual framework is inconsistently applied in this area, a focus on developing educational and interpretive support materials, and promoting greater awareness and training on how to apply the framework would be the most effective response.

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

The conceptual framework set out in Section 120 of the Code has long been established in practice, and we believe the provisions in the Code are sufficiently clear. Therefore, we believe that it has been appropriately applied based on the auditor's professional judgment depending on the circumstances of respective audit engagements. On the other hand, with respect to consistent application in audit engagements of investment schemes that do not have organizational or governance structures similar to conventional corporate structures, examples of consideration factors could be included in the application materials and/or staff Q&A, if necessary, since these would be useful in practice in applying the conceptual framework.

In Japan, there is a well-established practice of stating in the auditor's report that the auditor is independent of certain specified parties (i.e., investment trust management companies for publicly offered investment trusts and unlimited liability partners for investment limited partnerships) that are assumed to have a high level of "connectedness" in the audit of a particular investment scheme. Although there is no additional or specific provision or guidance on the assessment of auditor independence for these specified parties and other parties, such practice reflects the collective judgment of auditors who are familiar with the audit of particular investment schemes in Japan.

## **Wirtschaftsprüferkammer (WPK)**

Until now, the WPK has not become aware of a tendency that the conceptual framework in Section 120 is not consistently applied in this respect. However, it is to be taken into consideration that principles-based decisions do always involve a certain degree of evaluation and professional judgment. Furthermore, differences in the interpretation and application of the conceptual framework can arise from local regulations relating to CIVs/pension funds in individual jurisdictions.



## **No With Comments**

### **Monitoring Group**

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

We believe that there may be instances of inconsistent application of the conceptual framework in Section 120 of the Code in practice.

As mentioned in response to Question 3, the framework places emphasis on professional accountants exercising professional judgement. This is clearly valuable when assessing independence, however it can become less effective depending on the auditor's level of experience and objectivity. Differences in how the framework is interpreted across firms may also lead to inconsistent assessments.

Another factor which may cause inconsistent application of the conceptual framework in the context of auditing a CIV or pension fund is the level of complexity involved in the structure of these entities and consequently, the complexity of identifying the appropriate entities as Connected Parties.

### **Investors and Analysts**

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

Probably not - from the investor perspective, the conceptual framework is not consistently applied in practice. The absence of explicit Code provisions specific to Connected Parties leads to substantial variation in how auditors interpret and apply independence principles across jurisdictions, firm networks, and fund structures. In some cases, auditors have treated investment advisors or sponsors as entirely separate entities, applying only a general threat assessment. In others, auditors have voluntarily scoped these parties into their independence assessment based on client-specific risk factors. This inconsistency undermines comparability and investor confidence in the audit function. Investors expect the IESBA to ensure standardization of interpretation to avoid regulatory arbitrage and protect against uneven applications of professional judgment that might benefit the audit firm or the fund sponsor at the expense of the investor.

### **Impax Asset Management**

No, the application of the conceptual framework varies across jurisdictions due to differences in regulatory structures for CIVs and pension funds. According to the Hong Kong Institute of Certified Public Accountants (HKICPA) Ethics Committee, Hong Kong follows the IESBA Code but incorporates additional guidance on auditor independence for investment schemes.

In developed markets like the UK and US, regulatory frameworks provide detailed guidance on auditor independence, often incorporating additional restrictions beyond the IESBA Code. In contrast, developing markets may have less stringent requirements, leading to inconsistencies in how Connected Parties are assessed. To address this, the IESBA could consider allowing flexibility for jurisdictions with evolving regulatory environments while maintaining core principles of auditor independence.



## **Regulators and Audit Oversight Authorities**

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

As the UK does not adopt the IESBA Code but instead applies the FRC's Ethical Standard, we are not in a position to comment on the consistency of application of Section 120 of the Code in practice. However, we are aware that the application of principles-based frameworks—such as that in Section 120—can lead to inconsistency in practice, particularly in complex audit environments such as those involving collective investment vehicles (CIVs) and pension funds. The reliance on professional judgement, while essential, may result in differing interpretations and conclusions, especially where auditors have varying levels of experience or where the structures involved are particularly intricate.

In our experience, the complexity of identifying relevant Connected Parties in the context of CIVs and pension funds can present challenges that may not be fully addressed by a high-level conceptual framework alone. This reinforces the importance of providing additional non-authoritative guidance, illustrative examples, or jurisdiction-specific considerations to support consistent and effective application. This is something that IESBA could draw on support from its Jurisdictional Standard Setters group.

We would encourage IESBA to consider how further clarification or practical support could enhance the usability of the framework in this context, while recognising that national standard setters may also need to tailor their approaches to reflect local regulatory and market conditions.

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

It is unlikely that the conceptual framework is being applied consistently in practice to identify, evaluate and address threats to independence arising from relationships with connected parties to a CIV or pension fund. The absence of conversation or awareness raising may have resulted in this divergence. Differences in professional judgment and the interpretation of the framework contribute to inconsistencies.

From a regulatory perspective, we have noted variations in how audit firms apply the conceptual framework, particularly in identifying relevant parties and assessing independence threats in addressing quality risks at a firm level. Some audit firms consider the influence of asset managers on their audit client, while others do not. Different thresholds for defining significant influence further contribute to the inconsistency.

The FSCA has observed that successor auditors tend to uncover matters related to connected parties that were not identified by the predecessor auditors.

Furthermore, the diversity of investment scheme structures and governance models across jurisdictions, combined with reliance on external parties for operations and financial reporting, complicates the consistent application of the framework without specific guidance.

## **Accounting Firms**

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

Where there is an absence of local rules or established practice in place, there is a risk that the framework may not be applied consistently between audit firms. Our view is that there is room to assist audit firms in how section 120 of the Code can be applied in practice with respect to the assessment of auditor independence. Currently, the application of the conceptual framework requires firms to use their own judgment when identifying and evaluating relationships that could result in threats to independence which may result in firms reaching inconsistent conclusions.

CIV/pension fund specific non-authoritative guidance would help firms apply the conceptual framework to CIV/pension fund audit clients in a consistent manner and reach similar conclusions when evaluating threats to independence.

## **KPMG**

The application of the conceptual framework to Connected Parties can be challenging due to both the complexity and varied nature of CIVs and pension funds. As the IESBA acknowledged in its Strategy and Work Plan, 2024-2027, “these types of arrangements are much more diverse in structure, governance and size than deposit-taking institutions and insurers.”

Jurisdictional regulations may mandate specific considerations for independence, influencing how auditors apply the conceptual framework. For example, mandatory firm rotation serves as a guardrail in many jurisdictions. Additionally, regulations such as those requiring the separation of fund administration roles or independence from the operational management of the fund, work together with the conceptual framework to meet the reasonable expectations of the public interest in auditor independence. Adding a layer of complex requirements would disrupt market practices and, especially where jurisdictional regulations are already in place, severely limit auditor choice with the potential to negatively impact audit quality.

Expecting global consistency may not be feasible or necessary, given existing jurisdictional regulations. Where regulations are already in place, additional prescriptive requirements would have to be layered with the jurisdictional rules that have already been deemed sufficient by the regulator. We consider the local regulators to be best placed to prescribe any specific rules for the schemes in their jurisdiction, as well as to consider when they should be classified as public interest entities.

## **RSM International (RSM)**

As referred to in our response to question 3, we do not believe that the conceptual framework in Section 120 of the IESBA Code of Ethics is consistently applied in practice with respect to the assessment of auditor independence in relation to Connected Parties when auditing a CIV/pension fund. The conceptual framework is fairly basic, broad and subjective and doesn't give guidance on how to identify Connected Parties, which could be an issue. Auditors may reference the framework if they have a question about a situation, but without defined guidance or explicit prohibitions, they may use it to confirm their actions. Unfortunately, the framework doesn't provide a straightforward answer, and an auditor may not think they have a threat to independence based on what is provided in the conceptual framework.

At a high level, it is uncertain if auditors would reference the conceptual framework if the specific situation were not addressed in the IESBA Code of Ethics, since they may skip forward to the paragraphs specific to the topic applying to their situation. The conceptual framework is so broad and subjective that practitioners may skip it and focus on specific prohibitions, leading to inconsistent application. We do not believe that the framework provides enough guidance to help identify Connected Parties and potential issues. Therefore, there is a need for more specific language and definitions to ensure consistent application.

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

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

We observe that the conceptual framework is not consistently applied in practice when it comes to Connected Parties in audits of CIVs and pension funds. The variance in application arises from differing interpretations of what constitutes significant influence, as well as gaps in jurisdiction-specific requirements and regulatory oversight.

We point out, in the absence of clearly defined parameters, auditors may default to firm-level interpretations or local practice, resulting in divergent approaches even in similar fact patterns. This undermines the comparability and integrity of independence assessments.

We encourage the IESBA to issue clarificatory and non-authoritative materials—such as flowcharts, guidance notes, and case studies—to help practitioners and regulators consistently apply the framework across markets with varying legal infrastructures.

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

In practice, no—we don't believe Section 120's conceptual framework is applied consistently when auditors assess independence threats from Connected Parties in CIV and pension-fund audits. Because the Code lacks concrete application guidance for relationships beyond formal ownership or control, auditors rely on firm-specific policies or their own judgment to interpret "significant influence" or "indirect" services. This variability leads to divergent threat-identification thresholds, uneven use of safeguards, and inconsistent documentation. Until the Code provides clear examples, quantitative thresholds, and tailored safeguard requirements for common CIV/pension-fund scenarios, auditors will continue to apply Section 120 unevenly, undermining both consistency and stakeholder confidence in audit independence.

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

No, whereas we may not have performed a review on how the conceptual framework in Section 120 of the Code is applied in other jurisdictions, we believe that the consistent application of the framework particularly in relation to assessing auditor independence for Connected Parties when auditing CIVs and pension funds—remains a challenge. While the principles-based nature of the framework offers flexibility and encourages professional judgment, this very flexibility can lead to varied interpretations across jurisdictions and audit firms depending on for example on regulatory strength and firm resources. Different jurisdictions differently design the legal and the legal regimes that relate to connected parties and the level of compliance depends on the ability to enforce the regime. Also, the complex nature of some Investment Schemes makes it difficult to determine who truly constitutes a connected party under the Code hence the need for additional guidance as indicated in Question 3 above.

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

In practice, the application of the conceptual framework in Section 120 is inconsistent when assessing auditor independence in relation to Connected Parties of CIVs/pension funds. This inconsistency is primarily due to the lack of specific guidance and definitional clarity around Connected Parties that meet the criteria in paragraph 35. Auditors may interpret the threats differently depending on the structure of the fund and the nature of the

relationship with Connected Parties, leading to variable judgments and potentially undermining the robustness of the independence assessment.

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

In the context of Investment Schemes, given the complexity and diversity in regulatory landscapes, legal structures and market practices across jurisdictions, a uniform global approach is not attainable or required. Hence, establishing a global baseline would not be practical.

We believe that the design and oversight of rules for Investment Schemes are most appropriately handled by local regulators, who understand the nuances of their domestic frameworks. Jurisdiction-specific regulatory requirements such as those set out in our response to Question 6 function alongside proper application of the conceptual framework to help ensure that auditor independence aligns with the reasonable expectations of stakeholders and the public interest.

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

Kindly refer to our previous response to Question 3 which detail the views IESBA may need to consider.

As mentioned in our response to Question 1, the conceptual framework requires practitioners to identify, evaluate and address threats based on circumstances and relationships. However, when dealing with the audits of CIVs and pension funds, the governance of CIVs and pension funds may be fragmented and functions may be outsourced and therefore, operationally complex. The broad reliance on professional judgement in such situations may ultimately lead to inconsistencies in practice. Greater standardisation through guidance or application materials would help reduce divergence.

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

In practice, the application of the conceptual framework in Section 120 of the IESBA Code to assess threats to independence from Connected Parties is inconsistent across African jurisdictions. Larger audit firms, particularly those affiliated with international networks, tend to apply the framework more rigorously, supported by strong internal policies, compliance systems, and access to training. However, many small and medium-sized practices across the continent face challenges due to limited technical capacity, insufficient jurisdiction-specific guidance, and the complexity of CIV and pension fund structures. These challenges often result in varying interpretations and incomplete identification of relevant Connected Parties. To promote consistent and effective application, there is a clear need for practical implementation support, sector-specific examples, and enhanced regulatory guidance tailored to the realities of the African audit landscape.

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

No particular challenges have come to SOCPA's attention with regard to the application of the conceptual framework in practice with respect to the assessment of auditor independence in relation to 'connected parties' when auditing investment schemes. However, the appreciation of the complexity associated with investment schemes (in particular complicated relationships), and the absence of explicit guidance that is specific to the application of the conceptual framework in such circumstances, may indicate the possible inconsistent application of the conceptual framework. This is specifically valid when considering how the larger audit firms (networks) may have developed internal protocols for threat assessment which may capture the complicated relationships and

circumstances associated with investment schemes while smaller audit firms may rely heavily on individuals' professional judgments since they may not have the necessary resources to develop their own internal protocols. Therefore, we believe that consistency in applying the conceptual framework can be improved through providing further guidance (e.g. application materials) in the Code with specific examples that can be benchmarked against because this specific guidance should help facilitating auditors' professional judgment which is a critical aspect of the Code's conceptual framework.

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

No, the application of the conceptual framework is not consistently applied in practice. Variability in interpretation, especially across jurisdictions with differing regulatory expectations, leads to inconsistent treatment of Connected Parties. Some auditors may overlook or underestimate the significance of relationships with these parties due to the lack of explicit requirements. This inconsistency undermines the comparability and reliability of audit outcomes for Investment Schemes.

### **Unable to provide response**

#### **Regulators and Audit Oversight Authorities**

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

NASBA is unable to comment as to the consistency of application of the conceptual framework in practice.

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

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

We have not carried out the necessary research to be able to give an informed answer to this question, but we would hope that the conceptual framework is being applied consistently in practice to connected parties in a CIV or pension fund structure, whilst acknowledging the conceptual framework does allow for potentially different interpretations or outcomes in these types of audit engagements due to local legislation and/or regulation which may lead to variances across jurisdictions globally. We therefore do not believe that changes to the conceptual framework are warranted.

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

Not able to evaluate.

### **CPA Australia**

CPA Australia is not able to respond to this question. A regulator of auditors undertaking such audit and assurance engagements would be best placed to comment.

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

We have no comments on this question, but we would like to highlight the following circumstances in Hong Kong:

The SFC requires auditors of CIS maintain independence from both the management company and the trustee/custodian. Although the SFC has not explicitly provided detailed guidance (see our responses to Question 6), this requirement helps address the potential independence gap concerning auditors and Connected Parties.

The Accounting and Financial Reporting Council (AFRC) regulates auditors, including their compliance with the ethical requirements of the Code during audit engagements. The SFC oversees Hong Kong's securities and futures markets, including authorizing investment products and licensing and supervising intermediaries engaged in regulated activities. Under a Memorandum of Understanding established in 2021, the SFC and AFRC enhance their regulatory oversight through case referrals, joint investigations, information sharing etc. Based on publicly available information, we are not aware of any instances or investigations by the AFRC or SFC that indicate inconsistent application of the Code's conceptual framework in assessing auditor independence in relation to Connected Parties during audits of CIVs/pension funds.

## **Intitut Der Wirtschaftsprufer (IDW)**

We are not aware of any studies that indicate concerns about inconsistent application of the conceptual framework in Section 120 of the Code particularly regarding the assessment of auditor independence in relation to connected parties when auditing a CIV or pension fund. Any study on this subject is likely to be challenging given the wide range of regulatory backgrounds in different jurisdictions, differing firm methodologies and the subjective nature of the judgments involved. Although a study might provide an insight into current practice, it seems doubtful that a sufficiently detailed piece of work would be justified given the absence of systematic issues having arisen.

## **No Specific Comments**

### **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

## **Regulators and Audit Oversight Authorities**

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

Currently the Conceptual Framework does not define connected parties. The auditor independence assessment is generally limited to audit clients and their related parties. The definition of the related parties does not extend to connected parties.

## **Accounting Firms**

### **MO Chartered Accountants Zimbabwe**

Refer to General Comments for response

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

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

Refer to General Comments for response

### **Institute of Accredited Auditors for Financial Institutions (IREFI-IRAIF)**

Refer to General Comments for response

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

Please see our responses for Questions 2 and 3.

The extant conceptual framework doesn't address considerations specific to investment schemes, which may lead to lack of clarity in circumstances that are unique to investment schemes. As noted in our answer for Question 2, supplementing the Code with application or non-authoritative materials that need to be considered in auditing CIVs would help the auditor better address the threat to independence arising from the situations unique to CIVs.

We believe that the criteria set out above are appropriate. However, investment schemes may have wide diversities in their structures and governance as well as in the functions or roles provided by Connected Parties across as well as even within jurisdictions, depending on their objectives and legal/contractual arrangements, as described in CP.

Therefore, we hope that the Code provides relevant application or non-authoritative materials to allow the public accountant auditing CIVs to consistently and appropriately assess the independence in accordance with the relevant conceptual framework, instead of prescribing uniform requirements for independence assessment of CIVs. In particular, non-authoritative materials providing examples of independence assessment relevant to the parties serving various roles related to CIVs (Investment Advisor, Sponsor, Custodian, Management Company) would facilitate practical application and consistent interpretation.

### **Malta Institute of Accountants**

We do not find it necessary to revise the conceptual framework itself. However, enhanced communication and targeted training would help ensure more consistent application in practice and better equip professionals to address the complexities of fund structures while upholding the fundamental principles of the Code.

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

Refer to General Comments for response