

June 27, 2025

Mr. Ken Siong
Senior Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, New York 10017 USA

Re: Consultation Paper *Collective Investment Vehicles and Pension Funds – Auditor Independence*

Dear Mr. Siong:

Deloitte Global appreciates the opportunity to provide comments on the IESBA's Consultation Paper *Collective Investment Vehicles and Pension Funds – Auditor Independence* issued by the Board in March 2025 (the Consultation Paper).

Deloitte Global acknowledges the importance of consultation and appreciates IESBA's efforts to solicit feedback from stakeholders before considering global standard setting projects. Gathering input from a variety of stakeholders supports the development of high-quality, operable international ethics and independence standards that enhance public trust and confidence in financial information. It is important to ensure any proposed changes are supported by evidence that the changes will meaningfully contribute to this trust and confidence.

After thorough consideration of the issues raised in the Consultation Paper, Deloitte Global does not believe that amendments to the Code regarding the current "Related Entity" definition, or to address the concept of "Connected Parties" for audits of collective investment vehicles and pension funds (collectively "Investment Schemes") are warranted or necessary for the reasons outlined below:

- **The lack of a clear strategic driver for the project**

There is no evidence of independence issues with Investment Scheme audits arising from the current definition of Related Entity or relationships with the Connected Parties. As a result, there is no "trust crisis" or other strategic driver for standard-setting in this area. Without a compelling strategic driver, the urgency or relevance of reviewing and potentially overhauling a long-standing definition and framework is questionable.

- **The conceptual framework is sufficient to address matters involving Connected Parties**

The IESBA Code requires professional accountants to apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles. This approach deters accountants from concluding that a situation is permitted solely because it is not specifically prohibited by the Code. Deloitte Global believes that the proper application of the conceptual framework enables an auditor to appropriately identify, evaluate, and address threats to independence resulting from relationships with Connected Parties, even if such entities are not included in the Related Entity definition. This principles-based approach should be maintained as it can be applied to a variety of circumstances, and provides necessary flexibility given the diversity in structure, governance and operating models of Investment Schemes around the world. There is no evidence to suggest the conceptual framework is inadequate, particularly given the absence of cases where an auditor's lack of independence has contributed to Investment Scheme financial failures. Accordingly, we consider it reasonable to rely on the existing

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principles-based framework unless credible evidence demonstrates that more prescriptive requirements would more effectively safeguard independence and enhance audit quality.

- **Establishing a global standard would be challenging and likely globally inoperable**

Investment Scheme structures and their relationships with third parties vary significantly across jurisdictions, as do applicable laws and regulations. This diversity makes it unlikely that a globally operable definition of a Related Entity or Connected Party of an Investment Scheme can be established. Regulation in this area should be left at the jurisdictional level where local regulators or standard setting bodies can tailor requirements to their specific circumstances. In fact, many jurisdictions already have robust regulations for Investment Schemes. However, Deloitte Global cautions against simply lifting concepts that are specific to certain jurisdictions, such as the US SEC's "investment company complex," into the Related Entity definition in the Code. The SEC's definition is tailored and specific to laws and regulations applicable to US investment companies. Its lack of relevance in other jurisdictions might create confusion and inconsistency in application which would not be in the public interest.

- **Implementation burden might outweigh any potential public interest benefit**

Implementing new standards requires significant resources and standard setting should only be pursued if there are clear, demonstrable public interest benefits, such as supporting high-quality audits or reducing risks of non-compliance with ethics and independence obligations. Amending the Code at this time could place unnecessary burden on firms that are already working to implement complex sustainability standards. Even minor changes to the Code can have significant impacts on firms' policies, procedures and quality management systems yet the Board has not provided sufficient evidence of the benefits of introducing new standards in this area.

- **Greater focus could be placed on adoption and implementation of the Code**

In previous responses to IESBA's strategy and work plans, stakeholders have asked for a period of stability for the Code and recommended that the Board focus on projects that address pressing issues and provide tangible benefits to the profession and the public interest. At this time, resources would be better allocated to areas such as conducting post-implementation reviews and developing non-authoritative guidance to support adoption and effective implementation of the Code.

We have also included specific responses to the questions in the Consultation Paper.

Specific Comments

Question 1 **Does the Code's definition of related entity capture all relevant parties that need to be included in the auditor's independence assessment when auditing CIVs/pension funds?**
Please provide reasons for your response.

Deloitte Global considers that the Code's definition of Related Entity captures all relevant parties. Based on our experience, this definition is well understood and sufficiently flexible to apply across various scenarios, including audits of Investment Schemes. The concepts of control and significant influence remain appropriate, regardless of the nature of the relevant party. Whether another party's role results in control or significant influence over an Investment Scheme depends on the specific facts and circumstances, as well as the laws and regulations in each jurisdiction. For this reason, local regulators or standard setting bodies are best positioned to provide additional guidance, if necessary, within their respective environments.

The questions in this Section pertain to an audit of a CIV/pension fund where a Connected Party to the Scheme meets the criteria set out in paragraph 35, i.e., the Connected Party is:

- a) Responsible for its decision making and operations;*
- b) Able to substantially affect its financial performance; or*
- c) In a position to exert significant influence over the preparation of its accounting records or financial statements.*

Question 2 Do you believe the criteria set out above are appropriate and sufficient to capture Connected Parties that should be considered in relation to the assessment of auditor independence with respect to the audit of a CIV/pension fund?
Please provide reasons for your response.

Deloitte Global considers the proposed additional criteria to be vague, in contrast to the well-established accounting concepts of control and significant influence. A Related Entity of an audit client, with respect to which the auditor must also maintain independence, is defined as such because of the specific relationship it has with the audit client through ownership, control or influence. As a globally consistent baseline, independence requirements should only apply to entities whose relationship with the audit clients qualifies them as a Related Entity.

Introducing vague criteria when establishing Connected Parties of Investment Schemes could lead to the unintended consequence of requiring auditors to consider a large number of third parties in their independence assessment, even when only certain relationships are relevant. This focus on collecting information about irrelevant entities might result in an onerous administrative burden on the auditor and increase costs without a benefit to audit quality. As stated in our response to Question 1, if an entity is not a Related Entity but it is relevant to the independence assessment, the auditor of the Investment Scheme would identify threats to independence through the application of the conceptual framework (see also question 3 below).

Question 3 Where there are such Connected Parties, do you believe that the application of the conceptual framework in Section 120 of the Code is sufficiently clear as to how to identify, evaluate and address threats to independence resulting from interests, relationships, or circumstances between the auditor of the CIV/pension fund and the Connected Parties? If not, do you believe the application of the conceptual framework in the Code as applicable to Connected Parties associated with Investment Schemes warrants additional clarification?
Please provide reasons for your response.

As noted in our introductory comments, the proper application of the conceptual framework is sufficient to identify and address any threats to independence arising from interests, relationships or other circumstances involving Connected Parties. For example, if an entity is in a position to exert significant influence over the preparation of the accounting records or financial statements of the Investment Scheme, the auditor would assess whether providing services to that entity results in a self-review threat with respect to the audit of the Investment Scheme. We believe the examples of scenarios in Paragraph 10 of the Consultation Paper would be appropriately identified and assessed through the auditor's proper application of the conceptual framework.

Deloitte Global recommends that the Board consider developing non-authoritative materials (NAM) to assist professionals in applying the conceptual framework to situations involving Connected Parties that are not Related Entities. While professional judgment will always be required when applying the conceptual framework to the specific facts and circumstances, practical and principles-based NAM with illustrative examples would help guide auditors in their assessment, regardless of jurisdiction.

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 a CIV/pension fund? Please provide reasons for your response.

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.

Question 5 Are there certain interests, relationships, or circumstances between the auditor of a CIV/pension fund and its Connected Parties that should be addressed? Please provide reasons for your response.

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.

* * *

We would be pleased to discuss our comments with members of the IESBA or its Staff. If you wish to do so, please feel free to contact Ms. Denise Canavan via email (decanavan@deloitte.com) or at +1 203 563 2759.

Sincerely,

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu Limited". The script is cursive and elegant, with the company name written in a single line.

Deloitte Touche Tohmatsu Limited