

30 June 2025

Email: KenSiong@ethicsboard.org

Dear Mr. Ken Siong

RE: SAICA SUBMISSION ON THE CONSULTATION PAPER, COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS – AUDITOR INDEPENDENCE

1. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions to IESBA on the *Consultation Paper, Collective Investment Vehicles and Pension Funds – Auditor Independence*.
2. SAICA is South Africa's pre-eminent accountancy body which is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 60 000 members who are chartered accountants [CAs(SA)] and associates [AGAs(SA)] who hold positions as chief executive officers, managing directors, board members, business owners, Chief Financial Officers, auditors, tax practitioners and leaders in their spheres of business operation.
3. SAICA adopted the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) in November 2018 as the SAICA Code of Professional Conduct (the SAICA Code) and has since updated its Code with subsequent amendments made by the IESBA. The SAICA Code also has requirements from a jurisdictional perspective.
4. SAICA has consulted its membership in response to the Consultation Paper. Members who provided input into the process included academics, professional accountants in public practice and professional accountants in business who have vast knowledge and experience in Collective Investment Vehicles and Pension Funds – Auditor Independence.
5. Following our consultations with our members, material concerns, reservations and proposals have been raised in relation to the Consultation Paper for the attention of IESBA.

6. Our comments are included in the annexures as follows:
- Annexure A** – Response to request for specific comments.
 - Annexure B** – Response to request for general comments.
7. We would appreciate the opportunity to engage further and to discuss the raised issues if required. Please do not hesitate to contact Viola Sigauke at violas@saica.co.za.

Regards,



Tarryn Pedlar
Chairperson: Ethics Committee



Natasha Soopal
Head of Public Sector and
Ethics

ANNEXURE A – RESPONSE TO REQUEST FOR 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.

Response:

No, the current definition of “related entity” in the Code does not fully capture all relevant parties involved in the operation and oversight of CIVs and pension funds. Investment Schemes often rely on external parties such as investment managers, advisors, and custodians for critical functions that would typically be performed internally in a conventional corporate structure. These parties, while not meeting the formal criteria of control or significant influence as defined in the Code, can still exert substantial influence over the financial reporting process. Excluding them from the independence assessment creates a potential gap in safeguarding auditor objectivity and public trust.

The questions (2 – 5) 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.

Response:

Yes, the criteria outlined in paragraph 35 focusing on decision making authority, influence over financial performance, and control over financial reporting are appropriate and comprehensive. These criteria reflect the practical realities of how Investment Schemes operate and help identify parties whose relationships with the auditor could pose threats to independence. Applying these criteria ensures that all materially influential parties are considered in the independence assessment, even if they fall outside the traditional definitions of related entities.

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.

Response:

No, while the conceptual framework provides a principles-based approach, it lacks specific guidance on how to apply those principles in the context of Connected Parties to Investment Schemes. The absence of explicit provisions or illustrative examples may lead to inconsistent application across firms and jurisdictions. Additional clarification or non-authoritative guidance

would be beneficial to ensure that auditors consistently identify and address threats arising from relationships with Connected Parties.

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.

Response:

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.

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.

Response:

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.

Question 6:

Does your jurisdiction have requirements or guidance specific to audits of CIVs/pension funds from an auditor independence perspective? If yes, are those requirements included in audit-specific or CIV-specific regulation? Please provide details.

Response:

Yes, SAICA adopted the Revision to the Definitions of Listed Entity and Public Interest Entity to the SAICA Code effective 15 December 2024. The definition of Public Interest Entity in the SAICA Code includes amongst others:

- (a) Collective Investment Schemes, including hedge funds, as defined in the Collective Investment Schemes Control Act No. 45 of 2002, that hold assets in excess of R30 billion.
- (b) Funds, as defined in the Pension Funds Act No. 24 of 1956, that hold or are otherwise responsible for safeguarding client assets in excess of R30 billion.
- (c) Pension Fund Administrators, in terms of Section 13B of the Pension Funds Act No. 24 of 1956, with total assets under administration in excess of R30 billion.

The above is also included in the Independent Regulators Board for Auditors' Code of Professional Conduct for Registered Auditors.

Furthermore, in South Africa there are specific requirements addressing auditor independence in the context of CIVs and pension funds. These are typically embedded in financial sector regulations or fund-specific legislation rather than audit-specific standards. These provisions often go beyond the Code by explicitly including certain Connected Parties within the scope of the independence assessment.

From the regulation side, the following address auditors' independence to a certain extent:

- Collective Investment Schemes Control Act, section 73; and
- Pension Fund Act, section 9.

As a result, South Africa has independence requirements for auditors of CIVs and Pension Funds.

ANNEXURE B – RESPONSE TO REQUEST FOR GENERAL COMMENTS

SAICA engaged members from different constituencies as part of our working group to collate information in responding to the ED. The working group included members from Small and Medium Sized Entities, Regulatory Boards and Academia, amongst others. The comments included in Annexure A, therefore, includes the inputs from these constituencies.

It is also important to note that South Africa is a developing nation and as noted in the introduction to this submission, SAICA, which is Professional Accountancy Organisation (PAO) in South Africa, has adopted the IESBA Code. The comments reflected in Annexure A also reflects those of a developing nation.