



COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS-AUDITOR INDEPENDENCE

Issued 30 June 2025

ICAEW welcomes the opportunity to respond to the consultation on *Collective Investment Vehicles and Pension Funds-Auditor Independence*, issued by the International Ethics Standards Board for Accountants (IESBA) on 31 March 2025, a copy of which is available from this link [Collective Investment Vehicles and Pension Funds - Auditor Independence | Ethics Board](#)

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This ICAEW response of 30 June 2025 has been prepared by the Reputation and Influence Department, and reflects consultation with ICAEW technical committees including the Ethics Standards Committee, the Pensions Committee and the Technical and Practical Auditing Committee. The Ethics Standards Committee is responsible for ICAEW policy on ethics issues and related submissions to legislators, regulators, and other external bodies.

For questions on this response please contact our Ethics Team at representations@icaew.com quoting REP 49/25

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ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
icaew.com

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Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

1. ICAEW welcomes this opportunity to provide comments in response to the consultation on *Collective Investment Vehicles and Pension Funds-Auditor Independence*.
2. ICAEW is concerned that the focus on definitions in the consultation has the potential to favour form over substance. Auditor independence in practice is ensured not by definitions which may encourage a tick-box compliance approach, but by the exercise of professional judgement.
3. The value of the Fundamental Principles and Conceptual Framework which are set out in the IESBA Code of Ethics (the Code), lie in their flexibility and applicability across all sectors, which makes them “future proof.”
4. ICAEW considers that these well-established provisions are sufficiently robust, and therefore there is no need to amend the definitions in the Code or to make any other sector specific amendments to the Code.
5. The complex and evolving nature of collective investment vehicles and pension funds, and the potential for governance arrangements to vary across jurisdictions, means that guidance on independence considerations is best created at the national jurisdictional level and tailored to local market conditions.

DETAILED COMMENTS

Auditing of collective investment vehicles and pensions in the UK

6. The auditing of collective investment vehicles and pensions funds is a highly specialised area of practice. In the UK, the trend in the pensions market (particularly in relation to defined benefit pensions schemes) is increasingly towards market consolidation, with much larger and fewer schemes.
7. This process of consolidation is likely to result in a smaller pool of available auditors that have the required expertise and quality management systems and processes in place, to be able to audit such increasingly complex schemes. The risk of potential unintended consequences, which might be created by amendments to the definitions set out in the Code, should be avoided.
8. ICAEW is not aware of any evidence which suggests that there might be concerns about the application of the Code and Conceptual Framework to the audit of collective investment vehicles and pensions funds in the UK.
9. ICAEW does not consider it practicable, or desirable, to create new definitions or standards in the Code for specific entities, parties, business processes or market sectors as they emerge. For ICAEW, the inherent value of the Fundamental Principles and Conceptual Framework in the Code lies in their flexibility, applicability across all sectors (sector agnostic) and ability to be “future proof”.
10. ICAEW considers that the real issue is whether auditors remain independent in practice, rather than whether the definition of “related entity” or a proposed new definition of “connected party” is broad enough to cover the evolving range of external parties and advisors that might potentially be used by such schemes now, and in the future.
11. ICAEW considers that the Fundamental Principles (including Independence) and Conceptual Framework which are set out in the Code, together with the requirement for professional accountants to maintain an inquiring mind and to exercise professional judgement, provide sufficient safeguards and guidance to ensure auditor independence of such schemes in practice.

Existing UK requirements and guidance

12. In the UK, section 1.33 of the *FRC Ethical Standard* [Revised Ethical Standard 2024](#) contains detailed requirements and guidance for professional accountants on how to deal with potential threats in relation to their Integrity, Objectivity and Independence.
13. In addition, the new *FRC 2026 Stewardship Code* [UK Stewardship Code 2026](#) contains principles, guidance and disclosure requirements for those charged with governance and their service providers, including in relation to managing potential conflicts of interest.
14. The governance arrangements applying to collective investment vehicles and pensions funds may vary across different jurisdictions. It is not clear that a single definition of all the entities that should be considered by professional accountants from an independence perspective would be operable across a sector that is complex and still evolving, or that it would adequately cater to domestic requirements. Indeed, there is potential for such a definition to be interpreted differently and inconsistently. ICAEW is keen to avoid a situation in which any new material set out in the Code might conflict with already existing domestic provisions.
15. Should potential concerns arise in the future, ICAEW considers that appropriate guidance would be best provided by domestic regulators and oversight bodies who are better placed to monitor markets and providers of audit and assurance services in real time; and to produce tailored guidance in the event that any emerging domestic concerns are identified.

Concerns about expansion of the Code

16. In discussions with stakeholders, the consistent concern that is expressed to ICAEW, is that the Code appears to be departing from a broad principles- based approach and is becoming an increasingly unwieldy and detailed set of rules and provisions, accompanied by an expanding volume of non-authoritative and explanatory materials. ICAEW shares this concern.
17. The feedback received by ICAEW, is that there is no need to amend the Code, or the definitions set out in it, in relation to the audit of collective investment vehicles and pension funds.
18. ICAEW considers that the existing provisions are sufficient to enable auditors to exercise their professional judgement and to put in place any mitigating actions that may be necessary, to ensure that in practice, auditor independence is rigorously maintained.
19. 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 might wish to consider issuing a bulletin or staff guidance. However, ICAEW does not consider it necessary to include any additional guidance within the Code itself.

Concerns about lack of full adoption of the Code in all IFAC jurisdictions

20. ICAEW would like to take this opportunity to urge IESBA to use all available levers and best endeavours to ensure that the existing provisions of the Code are uniformly implemented in IFAC jurisdictions.
21. The current situation in which some jurisdictions have fully adopted the Code and others have not, creates difficulties for firms which operate on a global basis.

Recommendation for pause and reflection

22. ICAEW notes that the Code has been amended substantially over the last few years. As in our responses to recent previous consultations on the Code, we consider that a substantive period of pause and reflection would be most valuable; and would provide a good opportunity for those jurisdictions which have not yet fully adopted the Code, to do so.
23. ICAEW recommends that IESBA should prioritise its programme of post implementation reviews over consideration of any new initiatives to amend the Code in the near future.

ANSWERS TO SPECIFIC QUESTIONS

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.

ICAEW Response

24. ICAEW considers that, in the context of a complex and evolving sector, the current definition of "related entity" in the Code might not fully capture all parties that have the potential to exercise influence on these types of investment scheme.
25. However, the issue is not whether the definition of "related entity" is all encompassing, but rather, whether the auditors of such investment schemes are alert to any potential threats to their independence and remain independent in practice when undertaking the audit.
26. Independence in practice is not achieved by the existence of a catch-all definition. Rather, it is achieved by professional accountants exercising professional judgement, and putting in place adequate safeguards to mitigate or eliminate any potential threats.
27. As such, ICAEW does not consider it necessary or desirable to amend the definition of "related entity".

Questions 2 to 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 of the consultation document, 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.

ICAEW Response

28. ICAEW considers that it would be undesirable and impractical to develop sector specific definitions to capture new stakeholder relationships as they emerge. Such definitions may quickly lose currency and become outdated, leading to a cycle of frequently updated definitions.
29. ICAEW considers it important not to confuse form with substance. The creation of rigid definitional criteria may result in professional accountants adopting a tick box approach, rather than considering whether specific advisers and relationships pose a substantive threat to auditor independence.

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.

ICAEW Response

30. ICAEW considers that the value of the Conceptual Framework is that it can be applied to novel, diverse and complex structures and stakeholder relationships, as they emerge.
31. We do not consider that any additional clarification of the Conceptual Framework is warranted or necessary.
32. The Conceptual Framework is “sector agnostic”; we do not consider that it would be helpful to overlay these now well-established broad principles (which are clear and simple to understand), with sector specific glosses. To do so, would risk making the framework unwieldy and difficult to apply across sectors.

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.

ICAEW response

33. ICAEW is not aware of any concerns, in the UK, about the consistent application of the Conceptual Framework in this sector.
34. 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.
35. However, ICAEW does not consider it necessary to include any additional guidance within the Code itself.

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.

ICAEW response

36. 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.

FINAL COMMENTS

37. ICAEW appreciates the time and effort required to issue consultation papers and to review the responses received. We are grateful for the opportunity to engage constructively with IESBA on the issues raised in this consultation.