

13 June 2025

Mr. Ken Siong  
IESBA Program and Senior Director  
International Ethics Standards Board for Accountants

By email: [KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org)

Dear Mr Siong

### **Consultation Paper: Collective Investment Vehicles and Pension Funds**

CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia makes the following observations and recommendations in response to the International Ethics Standards Board for Accountants (IESBA) *Consultation Paper: Collective Investment Vehicles and Pension Funds* (Consultation Paper). Our responses to the specific questions are included in the attachment to this letter.

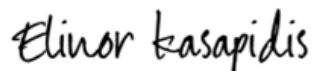
The Consultation Paper has raised an interesting theoretical question regarding the application of the International Code of Ethics for Professional Accountants (the Code) in the audit of collective investment vehicles and pension funds (Investment Schemes) having regard to the manner in which the structure of such schemes differs from a conventional corporate structure. As set out in the Consultation Paper, Investment Schemes utilise third parties, referred to as Connected Parties in the Consultation Paper, to provide administrative and managerial services and functions. The Investment Scheme itself, and any related entities, is recognised as the audit client pursuant to the Code and the Code's independence standards accordingly apply.

CPA Australia recognises that independence considerations between the auditor and the aforementioned Connected Parties are not specifically included in Parts 4A or 4B the Code. However, the breadth and principles-based nature of the conceptual framework in Part 1 of the Code provides for circumstances which are not specified elsewhere in the Code. Given the vast array of structures and relationships of which Investment Schemes may be comprised and the differing regulatory environments between jurisdictions, a standard specific to independence matters between auditors of Investment Schemes and Connected Parties is neither necessary nor appropriate.

We appreciate that IESBA acknowledges in the Consultation Paper that while an Investment Scheme financial failure in which an auditor's lack of independence was a contributing factor has not been identified, the recognition of a potential failure in the absence of clarity, is worthy of discussion. However, while we support the intent behind the consultation, in considering whether there is an issue, we consider any amendments to the Code as unnecessary and more likely to create confusion than provide clarity. We are supportive of non-authoritative material being drafted to support auditors of Investment Schemes when applying the conceptual framework in the context discussed in the Consultation Paper, particularly in the absence of a jurisdiction-specific response to the concern.

If you have any queries please contact Belinda Zohrab-McConnell, Regulation and Standards Lead, at [belinda.zohrab-mcconnell@cpaaustralia.com.au](mailto:belinda.zohrab-mcconnell@cpaaustralia.com.au).

Yours sincerely



Elinor Kasapidis  
Chief of Policy, Standards and External Affairs

## ATTACHMENT

### 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.

No.

The definition of 'related entity' in the Code clearly concerns a relationship of:

- direct or indirect control over an audit client by an entity (if the client is material to such an entity), or over an entity by the audit client;
- direct financial interest where the entity has significant influence and the interest is material to the entity, or vice versa; and
- common control by an entity of the audit client and another entity, both of which are material to the entity.

Accordingly, in the absence of such a relationship, Connected Parties as described in the Consultation Paper will not be included in the definition of 'related entity' in the Code. However, the identification and inclusion of related entities is not the only consideration when identifying the audit or assurance client as addressed at Question 3.

The term 'related entity' applies, inter alia, for the purpose of identifying the audit client in Part 4A of the Code. Section 400.27 of the Code specifically includes related entities in reference to an 'audit client' where the client is a publicly traded entity. In the circumstance where the audit client is a non-publicly traded entity, related entities are included where the client has direct or indirect control. This specificity is complemented by the following broader requirement (also in s. 400.27) which anticipates relationships which may threaten compliance with the fundamental principles, outside those identified as 'related parties':

*When the audit team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of the client is relevant to the evaluation of the firm's independence from the client, the audit team shall include that related entity when identifying, evaluating and addressing threats to independence.*

The above, broader requirement is also used in the independence requirements in Part 4B of the Code (s. 900.17) in respect of assurance clients. Accordingly, relationships which may threaten the fundamental principles are considered, albeit not specifically, in Parts 4A and 4B of the Code.

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.

No.

It is not appropriate to create a list of criteria to identify Connected Parties, as described in the Consultation Paper, given the variety ways in which Investment Schemes may be structured. Their complexity and diversity are recognised in the Consultation Paper. A definitive list risks excluding structures or arrangements, which failed to be identified at the time of drafting, and thereby inadvertently creating gaps which for the reasons set out in our responses to Questions 1 and 3 respectively, do not currently exist. This is more likely to result in confusion and a potential lack of independence.

This risk is compounded by the fact that many jurisdictions regulate Investment Schemes comprehensively. In some jurisdictions this extends to including certain Connected Parties in the definition of 'audit client'. Given the substantial jurisdictional differences regarding the regulation of Investment Schemes as illustrated in the Consultation Paper, particularly in Appendix 2, compounded by the variety of Investment Scheme structures, to create a set of criteria will inevitably conflict with jurisdictional regulatory requirements, creating more confusion and likely render such a list redundant in respect of many jurisdictions.

For the same reasons that the definition of Public Interest Entities in the Code provides for jurisdictional input, given the jurisdictional differences as to size, structure and governance of such entities, relationships relevant to Investment Schemes cannot and should not be prescribed for the purpose of identifying threats to the fundamental principles.

However, the criteria set out at paragraph 35 of the Consultation Paper could provide non-exhaustive indicia of a relationship which threatens independence relevant for jurisdictions which have not considered or addressed the hypothetical gap. Such indicia would be suitably included in non-authoritative material for such jurisdictions to consider.

## 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.

Yes.

As set out in sections 400.6 and 900.5 of the Code, firms are required, when performing audit and assurance engagements respectively, to comply with the fundamental principles and be independent. Section 120.3A clarifies that Parts 4A and 4B of the Code are requirements additional to the conceptual framework. Accordingly, compliance with and the application of Part 4A and 4B of the Code are in addition to the requirement to comply with the fundamental principles in section 110 of the Code.

The conceptual framework in section 120 assists the professional accountant to identify, evaluate and address threats to compliance with the fundamental principles. The substantial breadth of section 120 of the Code enables the identification of threats to independence outside those captured by the term 'related entity' and application of appropriate safeguards to ensure independence is achieved.

As set out in section 120.5 A1, the fundamental principles of integrity and objectivity, are linked to independence. By requiring the professional accountant to:

- a) have an inquiring mind;
- b) exercise professional judgment; and
- c) use the reasonable and informed third party test described in paragraph 120.5 A9

the professional accountant applies sections 120.6, 120.7-120.9 and 120.10 to identify, evaluate and address threats to independence.

Section 120.6 A1 provides that in identifying threats to compliance with the fundamental principles '[a]n understanding of the facts, circumstances, including any professional activities, interests and relationships [emphasis added] that might compromise compliance with the fundamental principles, is a prerequisite to the professional accountant's identification of threats to such compliance.'

Accordingly, pursuant to the conceptual framework, to be able to identify threats to compliance with the fundamental principles, a professional accountant is required to have an understanding of any relationships that might compromise compliance with the principles.

Further, as set out in section 120.6 A2, in identifying threats to the fundamental principles, 'it is not possible to define every situation that creates threats'. This is particularly true with Investment Schemes which may be structured in a myriad of ways and have various relationships with multiple 'Connected Parties'.

Accordingly, applying the conceptual framework, any professional accountant providing audit services should be aware of any relationship that might threaten their compliance with these principles, in addition to the relationships specified in Parts 4A and 4B. This would include a relationship with someone who meets the criteria set out in paragraph 35 of the Consultation Paper as well as those outside such criteria. The broad, principles-based nature of the conceptual framework operates to respond to a perceived gap more comprehensively than list of criteria, rendering specific criteria unnecessary and for the reasons set out in our response to Question 2 likely to create uncertainty.

#### 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.

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.

#### 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.

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

#### 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.

CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world. While our members provide audit and assurance services to Investment Schemes globally, the majority of our members who provide such services will do so in Australia. We recognise that jurisdictional responses to independence will differ for our members.

As set out in the Consultation Paper, in Australia, the primary corporation legislation in Australia, Corporations Act 2001 (the Act), provides for *Managed Investment Schemes* (MIS) which are regulated by the Australian Securities and Investments Commission. The operator of an MIS is the 'responsible entity'. The Act identifies relationships between the auditor and the audit client which are relevant for the application of auditor independence provisions in the Act. This includes any relationship between the auditor of an MIS and the responsible entity, a current or former director or employee of the MIS, a person currently or formally involved in the management of the MIS, or a person currently or formerly involved in the management of the responsible entity. The MIS, referred to as the 'audited body' in the Act includes the responsible entity in the determination of a relevant relationship for the purposes of applying the auditor independence requirements of the Act.