30 June 2025

The Chairperson
International Ethics Standards Board for Accountants
529 5th Avenue
6th Floor
New York 10017
USA

Sent electronically through the IESBA Website (www.iesba.org)

RE: PAFA'S RESPONSE TO THE IESBA'S CONSULTATION PAPER ON AUDITOR INDEPENDENCE IN COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS

PREFACE

The Pan-African Federation of Accountants ("PAFA", "we" and "our") welcomes the opportunity to comment on the IESBA Consultation Paper: Collective Investment Vehicles and Pension Funds – Auditor Independence.

PAFA represents Africa's professional accountants, with the objective of accelerating the development of the accountancy profession and strengthening its voice both across the continent and globally. In its unique regional role of engaging with Professional Accountancy Organisations (PAOs) and consolidating perspectives, PAFA is pleased to present its response to this important Consultation Paper.

Our responses to the specific questions raised in the paper are set out in the appendix to this letter. We trust that our comments will constructively inform IESBA's future deliberations. Should you require any clarification or further information regarding our submission, please contact PAFA Director: Quality and Mobility, Benjamin Mbolonzi, at BenjaminM@pafa.org.za.

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.

The IESBA Code's definition of "related entity" provides a solid foundational framework for auditor independence. However, across many African jurisdictions, it does not fully capture all parties relevant to the independence assessment in audits of Collective Investment Vehicles (CIVs) and pension funds. In particular, third-party service providers—such as fund administrators, actuaries, custodians, fund managers, investment advisors, and even major shareholders who exert significant influence—are often central to decision-making and financial reporting processes. Yet these entities may fall outside the formal definition of "related entity," especially in jurisdictions with multi-entity operational structures and widespread outsourcing. As a result, there is a risk that material relationships and threats to auditor independence are not consistently identified or evaluated. A more tailored or expanded definition, that reflects functional influence and operational realities rather than solely legal or ownership-based ties, would help auditors apply the Code more effectively and consistently across African contexts.

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.

The criteria provide a useful and structured starting point for defining Connected Parties in the context of Collective Investment Vehicles (CIVs) and pension funds. However, they do not sufficiently capture the full range of parties relevant to independence assessments across many African jurisdictions. Given the complex and often outsourced operational structures common in these schemes, additional clarity and expansion of the criteria are necessary. In particular, entities such as fund administrators, actuarial and asset consultants, and investment managers, while not always legally affiliated, exert material influence over financial reporting, investment decisions, and operational outcomes. These functionally influential parties may not meet traditional related party definitions under existing standards. Expanding the criteria to explicitly consider practical influence and risk exposure, rather than limiting the scope to legal or ownership-based ties, would enhance the consistency, relevance, and effectiveness of independence assessments.

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

Section 120 of the IESBA Code provides a solid, principles-based framework for identifying, evaluating, and addressing threats to auditor independence, including those arising from Connected Parties. However, its practical application in the context of Collective Investment Vehicles (CIVs) and pension funds across Africa can be challenging. The framework often assumes that auditors have full visibility into complex and outsourced structures, which is not always the case. As a result, the clarity of the independence assessment process is diminished when key parties, such as fund administrators, asset managers, or consultants, are not formally associated with the audited entity but still exert material influence. While the conceptual approach is generally sufficient in theory, it lacks the detailed, sector-specific guidance needed to support consistent application in practice. African practitioners would benefit from additional illustrative examples, implementation guidance, and industry-specific tools to effectively apply Section 120 in the diverse and often intricate environments in which CIVs and pension funds operate.

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.

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.

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.

Yes. There are several types of relationships and circumstances that pose potential threats to auditor independence in the context of CIVs and pension funds, including:

- Auditors providing non-audit services (e.g., internal audit or valuation) to Connected Parties while also auditing the funds.
- Familiarity threats arise from personal or business relationships between audit partners and fund management staff.
- Revolving door risks, where former audit firm staff take up roles in management or administration shortly after leaving the firm.
- Undisclosed financial interests or shared ownership arrangements between audit firm partners and service providers.

Such scenarios, especially in environments with limited regulatory enforcement, highlight the need for stronger safeguards and explicit treatment within the Code to uphold independence in practice

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.

Across Africa, regulatory frameworks governing auditor independence for Collective Investment Vehicles

(CIVs) and pension funds are uneven and generally lack sector-specific precision. While most jurisdictions adopt ethical standards aligned with the IESBA Code, few have enforceable, tailored regulations that directly address the unique risks posed by these schemes.

In Zimbabwe, for instance, there are no sector-specific requirements for auditor independence in relation to CIVs or pension funds. The general framework under the PAAB Code of Ethics—aligned with the IESBA Code applies to all entities. While regulators such as IPEC and SECZim may issue circulars and compliance expectations, these are interpretative and not binding, leaving a gap in enforceable, scheme-specific standards.

In Mauritius, there is a more defined structure: the Financial Reporting Act 2004 and the guidance issued by the Financial Reporting Council (FRC) provide for auditor independence and extend these requirements to CIVs and pension funds. However, the depth and specificity of these provisions vary in their implementation.

Morocco has implemented the 2013 OEC Code of Ethics, adapted from the 2009 IESBA Code, and additional oversight comes from AMMC regulations for CIVs. Yet these instruments do not provide comprehensive guidance specific to the independence risks of complex CIV and pension fund structures, especially where third-party service providers are involved.

In South Africa, the Independent Regulatory Board for Auditors (IRBA) and Financial Sector Conduct Authority (FSCA) provide a more developed framework for auditor independence. Some sector-specific standards exist, particularly for financial institutions, but they are not always uniformly applied to the variety of fund structures such as living annuities, pension preservation funds, or unit trusts.

Conclusion: While some African jurisdictions have embedded CIV and pension fund considerations into their general audit independence frameworks, most lack enforceable, detailed guidance specific to these structures. The widespread reliance on outsourced service providers and the complex governance arrangements common in these schemes further underscore the need for harmonized, context-relevant, and sector-specific guidance across the continent. This would help reduce interpretative inconsistencies, enhance audit quality, and strengthen public trust in the oversight of long-term savings and investment vehicles.