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July 16, 2025

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

Dear Mr. Siong:

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

We are writing on behalf of the Council of Chief Executives (CCE) of the Canadian Chartered Professional Accountant profession in response to your request to comment on the Consultation Paper entitled *Collective Investment Vehicles and Pension Funds – Auditor Independence* (Consultation Paper). The CCE is comprised of the CPA regulatory body CEOs from British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador and Bermuda and the CEO of CPA Canada.

Canada's accounting profession is regulated by a provincial CPA body in each jurisdiction and is comprised of more than 220,000 CPAs both at home and abroad. The provincial CPA regulatory bodies are statutorily responsible for their respective codes of conduct including the independence standards. CPA Canada is a member of IFAC and the Global Accounting Alliance, represents the profession nationally and internationally, and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations, and government. The CCE collaborates on various public trust and other profession relevant matters.

One of the areas of CCE attention is to actively monitor international developments with respect to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (Code) and develop responses to proposals and consultations. To this end, the CCE has two subcommittees dedicated to ethical rules: the Independence Standing Committee (ISC) which is focused on independence requirements and the Unified Rules Standing Committee which is focused on ethical requirements not including independence.

With the subject matter of the Consultation Paper (CP), the ISC took the lead in performing outreach to Canadian stakeholders and in preparing this response. The ISC considered feedback obtained from key stakeholders across Canada including practitioners and those charged with regulatory oversight of Collective Investment Vehicles (CIVs) and pension funds.

Please find below the overall views from the ISC's efforts followed by the responses to your specific questions.

### **Overall Views and Comments**

Overall, the ISC is not clear on the scope of restrictions that the IESBA's CP is suggesting should apply for Connected Parties. For example, an objective of the IESBA's project team is to determine whether the definition of 'related entity' remains fit for purpose, and the CP presents a view that the principles underlying 'control' in accounting frameworks do not work appropriately with respect to Connected Parties to Investment Schemes. The ISC thinks that this might suggest an approach that would expand the definition of a related entity in the case of an Investment Scheme, extending an auditor's independence assessment to include some or all of its Connected Parties.

The ISC is concerned that a rules-based approach, that would require an auditor to be independent of an Investment Scheme's Connected Parties, could have unintended consequences or require refinement by local jurisdictions, and the ISC is not aware of any concerns that would necessitate such an approach in Canada.

In addition, the ISC notes that the CP focuses on CIVs (mutual funds)<sup>1</sup> and pension funds due to the "higher potential risk of financial harm these Schemes might pose to the public in the event of a financial failure". The ISC observes that the IESBA's recent project to define a Public Interest Entity (PIE) and resulting local refinements did not include these entities where there is no significant public interest in their financial condition, and it is not clear why this project suggests bringing them back under that same objective.

In Canada, mutual funds that are accessible to the general public are "reporting issuers", subject to enhanced auditor independence requirements while other investment funds, such as those offered only to accredited investors, do not meet the definition of reporting issuers due to the limited public interest in their financial condition.

The ISC notes that pension plans in Canada are not typically accessible to the general public<sup>2</sup>, rather they are generally employer-sponsored and provide benefits to a narrow group of

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<sup>1</sup> In Canada, collective investment vehicles that are accessible to the general public are commonly referred to and regulated as mutual funds

<sup>2</sup> Exception being the Canada Pension Plan, which is accessible to all contributing Canadians, but is subject to auditor independence requirements embedded in legislation



employees, and the ISC questions whether pension plans in Canada would meet the scope of IESBA's project, as outlined in the Consultation Paper.

Given the various complex regulatory environments that exist for Investment Schemes globally, the ISC thinks that it would not be possible to address the definition of 'related entity' to capture all parties relevant to an auditor's independence from an Investment Scheme in a manner that could be adopted consistently in all jurisdictions without unintended consequences or local refinement. The ISC believes that the conceptual framework is well-suited to this purpose, because it requires firms to identify and address any threat to their independence from an audit engagement, regardless of the source.

The ISC thinks that the IESBA Code should remain principles-based, so that jurisdictions adopting the Code can do so without significant differences, which will lead to enhanced confidence in the Code.

## **Responses 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.**

Although the definition of a related entity does not capture all relevant parties that need to be included in the auditor's independence assessment when auditing CIVs/pension funds, the ISC thinks that this gap is not limited to audits of CIVs and pension funds. The ISC is of the view that the requirement in paragraph R400.19 to apply the conceptual framework is both necessary and sufficient to identify, evaluate and address threats to independence that are not captured by the related entity definition in relation to any audit engagement.

For example, the ISC notes that in Canada the practice of outsourcing functions such as the safeguarding and management of inventory to a third party is common in manufacturing, retail and distribution, by publicly traded entities with typical corporate structures, and not limited to investment funds or pension plans. Accordingly, the ISC thinks that it is important for the IESBA Code to remain principles-based and sufficiently adaptable to allow a PA to exercise their professional judgment in identifying all activities, interests and relationships that are relevant to their assessment of independence in relation to an audit engagement.



## **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 ISC agrees with stakeholders consulted with who say that the IESBA's criteria are appropriate and sufficient factors to consider in capturing Connected Parties. In fact, firms in Canada report that their monitoring systems and quality management processes to identify and address threats to independence include mutual fund and pension plan service providers if they meet the criteria identified by IESBA. Stakeholders were not able to identify any additional criteria.

While the ISC agrees that the criteria set out are factors to consider in relation to the assessment of auditor independence from any audit client, the ISC also thinks that it is clear in Canada that such factors are already being monitored in relation to the audit of CIVs and pension funds through application of the conceptual framework. Therefore, the ISC recommends that the IESBA consider identifying these criteria as factors in non-authoritative material, for firms to consider in applying R400.19, rather than establishing a narrow definition of a Connected Party for CIVs and pension funds that may need to be further refined by local jurisdictions.

## **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, the ISC believes that the application of the conceptual framework in Section 120 of the Code is robust and sufficiently clear as to how to identify, evaluate and address threats to independence resulting from interests, relationships, or circumstances between the auditor of the mutual fund or pension fund and its Connected Parties.

For example, in Canada, firms have used the conceptual framework to establish monitoring systems and quality management processes to identify and address threats to independence that include mutual fund and pension plan service providers if they meet the criteria identified by IESBA.

In Canada, mutual funds themselves cannot engage the auditor, the fund manager does, and this must be approved by the mutual fund's Independent Review Committee (IRC) as established in securities law. Therefore, for practical purposes the fund manager is included in firms' monitoring



systems and processes and the auditor can identify services and relationships that might cause a threat to their independence from that fund.

It is common in Canada for mutual fund managers and pension plan administrators to be fully integrated and to undertake all critical functions themselves or through a related entity, rather than to outsource day-to-day operations to a third party. In circumstances where such operations are outsourced, agreements are generally in place with the fund manager or pension plan administrator that clearly outline the discrete and narrow responsibilities of the third party, such as a portfolio sub-advisor.

#### **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 Canada, the vast majority of these audits are conducted by large firms, particularly when the mutual fund is a “reporting issuer”. Large firms report having developed policies and procedures to identify, evaluate and address threats to their independence from activities, relationships and interests with Connected Parties of a mutual fund or pension plan.

The ISC also spoke with small and medium practitioners that audit pension plans who report that they apply the conceptual framework to identify, evaluate and address threats to their independence from services provided to plan administrators.

Stakeholders that the ISC consulted with are not aware of any events or circumstances that would lead them to believe that the conceptual framework is not being consistently applied in Canada with respect to the assessment of auditor independence in relation to Connected Parties when auditing a CIV/pension fund.

#### **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.**

The ISC believes that these are necessarily and sufficiently addressed through application of the conceptual framework because it is not possible to specifically identify all possible threats to an auditor’s independence from Connected Parties without creating unintended consequences and unnecessary regulatory burden.

The ISC thinks that the conceptual framework is a more appropriate and practical tool to identify, evaluate and address any threats to an auditor’s independence from Connected Parties, such as business or personal relationships. While this approach requires the auditor to remain alert and use professional judgement, it also allows the auditor to assess their independence even when



fact patterns or circumstances change and does not cause undue regulatory burden by prohibiting firms from providing non-assurance services to Connected Parties when a threat could be addressed equally well with safeguards.

The ISC would have concerns with extending rules-based independence requirements to Connected Parties because there would be very difficult practical constraints. For example, a fund administrator (Connected Party) may provide support to multiple investment funds that are audited by different firms, so each firm who audits some of these investment funds would have to be independent of that fund administrator, and consequently the fund administrator would have very few options in terms of service providers for non-assurance services.

Stakeholders that the ISC consulted with are of the view that the risk of unintended consequences with a rules-based approach is high, with little added benefit because of complexity. Stakeholders expressed concerns with additional regulatory burden when there have been no issues or concerns raised to suggest that there is a gap in an auditor's independence assessment for mutual funds or pension plans. The ISC agrees with stakeholders that standard-setting action should ideally be reserved for when it is needed to address gaps or achieve consistency, to prevent standard-setting fatigue.

The ISC observes that adoption and implementation of the IESBA's PIE definition has been challenging given the need for extensive research and consultation with regulators and other key stakeholders to refine the IESBA's definition into local definitions that align with law and regulation in each jurisdiction.

Similarly, the ISC notes that different laws and regulations and governance structures apply to CIVs and pension funds depending on the jurisdiction, and thinks that this would be another project that would require local refinement in coordination with those charged with oversight of Investment Schemes and practitioners to ensure that undue regulatory burden is not imposed in Canada.

The ISC thinks that pursuing projects in the IESBA Code that have in many jurisdictions been addressed by regulators may lead to less and less convergence to the IESBA Code, and declining confidence in the Code as a consistently applied set of independence standards. The ISC thinks that keeping the Code principles-based and issuing non-authoritative material where those principles might benefit from further context, such as in the case of applying the conceptual framework to Connected Parties of CIVs and pension funds, will ensure that the Code continues to be adopted and applied consistently, without extensive need for local refinement.



### 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.**

In Canada, CIVs that are accessible to the general public are “reporting issuers”, and subject to additional auditor independence requirements that are no less stringent than those applicable to public interest entities in the IESBA Code.

Therefore, in Canada, an auditor’s independence assessment for a CIV (mutual fund) would capture all of its related entities:

- Canadian provincial securities laws include mutual funds available to the general public as “reporting issuers”
- Canadian provincial CPA body Codes of Conduct include enhanced independence requirements that are applicable to audits of “reporting issuers”

Governance requirements of mutual funds also exist in Canadian provincial securities legislation, including that all mutual funds must be overseen by Independent Review Committee (IRC), that is ultimately responsible for all decision-making and financial reporting.

Canada does not have requirements or guidance specific to audits of pension plans, but regulation for pension plans includes governance and oversight requirements similar to those for mutual funds.

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Thank you for the opportunity to comment on this Consultation Paper and we look forward to the report and recommendations to follow later this year.

Yours truly,

A handwritten signature in black ink, appearing to read "Pamela Steer".

Pamela Steer, FCPA, FCA, CFA  
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A handwritten signature in black ink, appearing to read "Lori Mathison".

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