



National Association of State Boards of Accountancy

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June 30, 2025

International Ethics Standards Board for Accountants (IESBA)
529 Fifth Avenue, 6th Floor
New York, NY 10017

Via Website: www.ethicsboard.org

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

Dear IESBA Members and Staff:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the IESBA Consultation Paper on *Collective Investment Vehicles and Pension Funds – Auditor Independence* (Consultation Paper). NASBA's mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Consultation Paper.

Responses to Specific Questions in the Consultation Paper

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.

Item (d) of the definition of related entity includes "an entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and related entity." NASBA believes that the definition should include relationships in which the client or related entity has a direct financial interest that gives it significant influence **or** the financial interest is material. NASBA would also recommend clarification such that the reference to all relevant parties captures the entity and its management.

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.

NASBA believes that 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. NASBA recommends including additional guidance or examples of those parties that are in a position to exert significant influence over the preparation of its accounting records and financial statements, particularly if the intention is to include those service providers such as actuaries and valuation firms.

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 funds 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.

NASBA believes 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 and the Connected Parties; however, NASBA believes that the Code should provide greater clarity in regard to consideration of “Connected Parties.” NASBA recommends the development of nonauthoritative guidance to help the practitioner work through the decision-making process in applying the conceptual framework.

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.

NASBA is unable to comment as to the consistency of application of the conceptual framework in practice.

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.

NASBA recommends that the actuaries and valuation firms are included as interests and relationships that should be addressed and that compensation and its potential to bias an outcome be considered.

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.

The Consultation Paper identifies the rules and regulations of the U.S. Securities and Exchange Commission as well as the American Institute of Certified Public Accountants and its Code of Professional Conduct. The U.S. Department of Labor also has requirements and guidance related to audits of CIVs and pension funds under the Employee Retirement Income Security Act of 1974 (ERISA).

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We appreciate the opportunity to comment on the Consultation Paper.

Very truly yours,

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