



June 25, 2025

Ken Siong, Program and Senior Director
International Ethics Standards Board for Accountants
Via Electronic Mail: KenSiong@ethicsboard.org

RE: Consultation Paper - Collective Investment Vehicles and Pension Funds – Auditor
Independence

Dear Mr. Siong:

The Professional Ethics Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to provide comments to the International Ethics Standards Board for Accountants regarding the consultation paper related to independence and collective investment vehicles and pension funds. The PICPA is an association of more than 18,000 members working to improve the accounting profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is a cross-section of our membership, with practitioners from large, regional, and small public accounting firms, members serving in business and industry, and accounting educators.

General Comments

The committee does not believe that there is a need for additional guidance on related entities. The consultation paper notes that there is a concern that “the Code’s definitions of ‘audit client’ and ‘related entity’ might not capture certain parties that are (a) responsible for decision-making and operation of the Scheme, (b) able to substantially affect the financial performance of the Scheme, or (c) in a position to exert significant influence over the preparation of the Scheme’s accounting records or financial statements (hereinafter referred to as ‘connected parties’).” This seems to suggest that there could be an investment scheme (CIV, pension, other), hereafter referred to as a plan, that does not have an overarching governance structure or anyone taking ultimate responsibility for the decision making, financial performance, or financial statements at

the plan. It is unclear how this type of plan would have an audit performed. Who would agree to the terms of engagement, sign the representation letter, or take responsibility for the plan's internal control system? An auditor's engagement acceptance responsibilities would preclude the auditor from taking on this engagement. It is concerning that the ethical standards would be amended to suggest the possibility of clients outsourcing ultimate responsibility for key operations, financial performance, and financial statement presentation and disclosures. The legal risks of taking on an audit of an entity that does not have a governing body are concerning. Under the hypothetical scenario presented, there would be significant confusion regarding the role of the auditor and any appearance of taking responsibility for any of the key areas would cause the auditor to violate independence rules since they would be assuming the role of management.

To avoid ambiguity regarding roles and responsibilities, auditors make sure that plan management understands their key oversight role. This is addressed in the understanding of the terms of the engagement, the management representation letter, and the final audit report. Further, the audit standards require the auditor to obtain an understanding of the plan and its environment, the applicable financial reporting framework, and the plan's system of internal control. Part of the auditor's considerations include the plan's internal controls over outsourced services. Specifically, the auditor either obtains and reviews the service organizations' System and Organization Controls (SOC) report or performs work at the service organization and evaluates the related user entity controls at the plan. This ensures that the plan has adequate controls over applicable service organizations and the results of the work performed by those service organizations. Ultimately, plan management is responsible for the decision-making and the results of all services provided to the plan. Therefore, the underlying premise of the consultation paper that additional guidance is needed to address situations in which no one is responsible for decision-making and results of services provided by third parties is not applicable to plans in the United States.

We believe that introducing language that alludes to management being able to outsource its responsibilities is contrary to the public interest. Requiring auditors to consider the independence of these connected parties other than through the provisions of the conceptual framework could be misleading.

Furthermore, plans in the United States are highly regulated, in particular by the [U.S. Department of Labor](#) to ensure that plan assets are appropriately safeguarded. Pension plans in the United States are not open for members of the public but are operated in accordance with specific legal requirements. The provisions of the Employee Retirement Income Security Act (ERISA), for example, include rigorous fiduciary responsibilities, including potential personal liability for those who do not follow strict principles of conduct. These fiduciaries include plan trustees, plan administrators, and members of a plan's investment committee. Plan fiduciaries are ultimately responsible for operating the plan in accordance with the plan documents to the extent that the plan terms are consistent with ERISA.¹ With the extensive legal and regulatory framework governing pension plans in the United States, it is unclear why additional guidance on these connected parties would be needed.

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.

We believe that the related-entity guidance at R400.27 and the conceptual framework are adequate to determine whether entities should be included in a firm's independence evaluation. We therefore do not believe that additional guidance on related entities is necessary.

Question 2. Do you believe the criteria set out ... 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?

We believe that the introduction of any requirement to evaluate connected parties in connection with a firm's independence evaluation could be misleading because plan management, not the auditor, is responsible for controls over third-party service

¹ <https://www.dol.gov/general/topic/retirement/fiduciaryresp>

organizations and the results of those services. The suggestion that there are parties outside of the plan that are "(a) responsible for decision-making and operation of the Scheme, (b) able to substantially affect the financial performance of the Scheme, or (c) in a position to exert significant influence over the preparation of the Scheme's accounting records or financial statements" would actively undermine not only the audit standards referenced above but education efforts by the U.S. Department of Labor designed to ensure that plan management fulfills its legal and regulatory responsibilities and understands the limitations of the audit. Therefore, the introduction of this language regarding connected parties would undermine the public interest in the United States.

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?

We do not agree with the introduction of language into the Code that suggests that management can outsource its fiduciary responsibilities to connected parties. It is contrary to U.S. public policy. We believe that the Code – including the conceptual framework – are more than adequate to address independence threats. We further note that the consultation paper is not responding to any specific instance in which there was a failure resulting from a lack of adequate guidance.

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?

Not applicable.

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?

We are not aware of any problems with the operation of the current standards in the United States.

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.

We are not aware of any problems with the operation of the current standards in the United States.

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 United States has an extensive legal and regulatory environment covering CIVs and pension funds, which include specific independence rules. We refer to the response from the AICPA that highlights these entities in greater detail.

We appreciate your consideration of our comments. We are available to discuss them with you at your convenience.

Sincerely,



Kim Lyons
Chair, PICPA Professional Ethics Committee

cc: Allison M. Henry, CPA
PICPA Vice President - Professional & Technical Standards
Staff Liaison