

10 July 2025

International Ethics Standards Board for Accountants

To: Ms. Gabriela Figueiredo Dias (Chair)

529 Fifth Avenue

New York

10017 USA

Submitted electronically

Subject: Comments on the International Ethics Standards Board for Accountants (IESBA's) Consultation Paper on Collective Investment Vehicles and Pension Funds - Auditor Independence

Dear Ms. Dias,

1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) request for input on the independence considerations with respect to audits of Collective Investment Vehicles and Pension Funds. As an international organisation of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, the IFIAR is committed to improving audit quality globally through the promotion of high-quality auditing and professional standards, as well as other pronouncements and statements.
2. The IFIAR's objectives are as follows:
 - Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.
 - Promoting collaboration and consistency in regulatory activity.
 - Initiating and leading dialogue with other policymakers and organisations that have an interest in audit quality.
 - Forming common and consistent views or positions on matters of importance to its members, while taking into account the legal mandates and missions of individual members.
3. The comments we provide in this letter reflect the views expressed by several, but not necessarily all, of the members of the IFIAR. However, the comments are not intended to include or reflect all of the views that might be provided by individual members on behalf of their respective organisation. The IFIAR Member jurisdictions currently take varying approaches to assessing auditor independence frameworks, and views in this area will likely continue to evolve as auditor and regulatory practice respond to the complexities of these structures. The comments in this letter should be considered in that context.

4. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by the IFIAR.
5. The IESBA Code of Ethics (the Code) is used by several, but not all members of the IFIAR. A number of audit firms have also voluntarily committed to complying with the Code. As a result, the IFIAR has an interest in enhancing the quality, clarity and enforceability of the Code, even though existing ethical rules or provisions in force at national level supersede those of the Code on certain aspects.

Overall comments

6. Given the often complex and unique structures of Collective Investment Vehicles (CIVs) and pension funds, it is essential that the Code's provisions — particularly those relating to related entities and Connected Parties — can be applied consistently and with appropriate professional judgement.
7. We believe the conceptual framework for auditor independence in the context of Collective Investment Vehicles (CIVs) and pension funds deserves further scrutiny, to determine whether the current definitions and criteria remain appropriate and sufficient, and/or whether further illustrative guidance may support more consistent application in practice.
8. Our responses reflect a commitment to high-quality, independent audit and assurance engagements that serve the public interest.

Detailed 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.

9. We believe that the Code's definition of "related entity" is sufficiently broad to consider all relevant parties based on financial interest relationships, including entities with control or significant influence over the audited entity, as well as entities controlled or significantly influenced by the audited entity.
10. While the definition uses financial interest as a basis, the Code also recognises the importance of including related entities in the auditor's independence assessment when the auditor knows or has reason to believe that a relationship or circumstance involving that entity is relevant to the assessment. This principles-based approach is fundamental to assessing the unique external relationships which CIVs and pension funds often involve.
11. We are of the view that the definition may still not fully capture all relevant parties, meaning that it may not capture relationships with Connected Parties whereby control or significant influence over the CIV may be present by virtue of contractual agreements or by performing

key management functions, without holding a financial interest. These relationships could still pose significant threats to auditor independence.

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.

12. We believe that the criteria support the capture of Connected Parties which should be included in the auditor's independence assessment when auditing a CIV or pension fund. The criteria highlight the role and influence that Connected Parties can have on CIVs and pension funds, which is critical for a thorough independence assessment.
13. The criteria encompass entities responsible for decision-making, those able to substantially affect the financial performance of the CIV or pension fund, and those in a position to exert significant influence over the preparation of accounting records or financial statements. These criteria support the identification of parties which should be included in the independence assessment as they have significant responsibilities related to the Investment Scheme's policies and operations, rather than administrative or standardised support services.
14. However, the application of broad principles in a range of jurisdictions may prove challenging and it may not be possible to refine criteria enough to promote consistent application as the structure of CIVs may vary significantly from one jurisdiction to another. The use of qualitative terms such as "substantially" and "significantly" may lead to inconsistent interpretations. For example, what does it mean to "substantially" affect its financial performance and how will this be measured? Similarly, how will the exertion of "significant" influence over the preparation of accounting records be measured in the absence of a financial interest?
15. While we understand the rationale for the introduction of the new concept of Connected Parties, we recognise that this may create additional complexity. There appears to be overlap between the proposed definition of Connected Parties and entities that would already qualify as related entities under the current Code. Introducing a new term may lead to inconsistent application, especially across jurisdictions. Targeted amendments to the existing definition of "related entity" supported by additional illustrative examples could achieve the same objective.

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.

16. We believe that the conceptual framework in Section 120 of the Code is helpful for identifying, evaluating and addressing threats to independence in the context of relationships between the auditor of a CIV or pension fund and Connected Parties.
17. In particular, the conceptual framework's emphasis on applying an inquiring mind, exercising professional judgement and using the reasonable and informed third party test offers useful direction for assessing such threats appropriately.
18. However, we note that CIVs and pension funds often involve complex arrangements and rely on external parties to perform functions that would typically be handled internally in a conventional corporate structure. This complexity can make it difficult to consistently identify all relevant Connected Parties and assess the associated threats to independence. As a result, different auditors or firms may reach different conclusions when applying the same framework, which is why further provisions may prove relevant.

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.

19. We believe that there may be instances of inconsistent application of the conceptual framework in Section 120 of the Code in practice.
20. As mentioned in response to Question 3, the framework places emphasis on professional accountants exercising professional judgement. This is clearly valuable when assessing independence, however it can become less effective depending on the auditor's level of experience and objectivity. Differences in how the framework is interpreted across firms may also lead to inconsistent assessments.
21. Another factor which may cause inconsistent application of the conceptual framework in the context of auditing a CIV or pension fund is the level of complexity involved in the structure of these entities and consequently, the complexity of identifying the appropriate entities as Connected Parties.

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.

22. Yes, we believe that there are certain interests, relationships or circumstances that would pose threats to independence and may therefore benefit from being explicitly addressed.
23. Any direct or indirect financial interest in the CIV or pension fund held by the audit firm, each covered person, and any persons closely associated with any such person, or the firm should

be addressed. There is also the self-interest threat associated with fee dependence on the CIV or its Connected Parties. Further, the provision of non-audit services to Connected Parties may create a self-review or advocacy threat and long-standing relationships with Connected Parties that are also audit clients of the firm may create familiarity threats.

24. We appreciate that there are instances where the Connected Parties may not strictly fall within the current definition of a “related entity” under the Code yet may still pose significant threats to independence. Applying a principles-based approach is intended to allow for these risks to be addressed and for these relationships to be evaluated under the conceptual framework in Section 120 of the Code. We are mindful that consistent conclusions may not always be reached in practice, however the addition of illustrative example(s) may support the consistent application of the conceptual framework in the context of these relationships.

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.

25. As a multi-jurisdictional entity, IFIAR is not positioned to provide jurisdiction-specific comments on auditor independence requirements or guidance specific to audits of CIVs or pension funds. Individual member jurisdictions are better placed to provide input on national-level considerations.

Please do not hesitate to contact me or James Ferris, Chair of the IFIAR Standards Coordination Working Group (SCWG), to discuss any of our comments.

Yours sincerely,



Kevin Prendergast, IFIAR Chair

Cc: Chia-Tern Huey Min, IFIAR Vice Chair
James Ferris, SCWG Chair,
Stacy Hammett, SCWG Vice Chair
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