

8 July 2025

Mr. Ken Siong
Program and Senior Director
International Ethics Standards Board for Accountants (IESBA)
529 Fifth Avenue, 6th Floor
New York, New York 10017 USA

By email: kensiong@ethicsboard.org

Dear Mr Siong,

IESBA's Consultation Paper *Collective Investment Vehicles and Pension Funds – Auditor Independence*

Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a submission on the IESBA's Consultation Paper *Collective Investment Vehicles and Pension Funds – Auditor Independence*.

APESB is governed by an independent board of directors whose primary objective is to develop and issue, in the public interest, high-quality professional and ethical pronouncements. These pronouncements apply to the membership of the three major Australian professional accounting bodies (Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants). In Australia, APESB issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) and a range of professional and ethical standards that address non-assurance services.

Overall comments

APESB is supportive of the IESBA undertaking consultation on auditor independence considerations for audits of Collective Investment Vehicles (CIVs) and Pension Funds, and considering whether revisions to the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) are warranted to address auditor independence in these circumstances.

In Australia, measures are in place to establish independence considerations for Managed Investment Schemes (MISs) subject to the *Corporations Act 2001* requirements (which are a type of CIV) and superannuation funds (e.g., pension funds). APES 110 determines that public interest entities include superannuation funds and disclosing entities (which include registered MISs). The *Corporations Act 2001* has specific independence requirements for auditors relating to conflicts of interest and relationships. Additionally, the prudential regulator, the Australian Prudential Regulatory Authority (APRA), has oversight of and imposes specific regulations for superannuation funds.

Therefore, the key considerations for auditor independence in Australia are well established and clear for superannuation funds. However, issues may arise if MISs or their structures obscure the parties responsible for management of the scheme's investments and operations. As such, APESB have drafted our response to the consultation paper focusing on MISs.

While Australia has established auditor independence considerations for MISs and superannuation funds, the increasing and significant investments managed through these types of entities create a public interest imperative for globally consistent auditor independence requirements. It is unclear whether separate jurisdictional legislation establishes a consistent approach to auditor independence for MISs (or CIVs). As such, APESB would support the establishment of a definition of connected party and application material to clarify how connected parties are included in independence considerations for the auditors of CIVs and Pension Funds.

In developing APESB's response to the IESBA's Consultation Paper, we have engaged with Australian stakeholders, including standard setters, professional accounting bodies, and accounting firms. We have noted key themes raised by these stakeholders for the IESBA's information, even if those positions may deviate from the APESB's views.

Appendix A provides APESB's responses to the IESBA's questions in the Consultation Paper.

Concluding comments

We trust you find these comments helpful in your Project Team's deliberations. If you require additional information, please contact APESB's Technical Director, Ms. Jacinta Hanrahan, at jacinta.hanrahan@apesb.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nancy Milne', written in a cursive style.

Nancy Milne OAM
Chairman

APPENDIX A

APESB's Specific Comments

APESB's responses to the questions set out by the IESBA in the consultation paper on Auditor Independence for CIVs and Pension Funds are as follows:

Related Entities under the Code

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?

The definition of related parties in the IESBA Code is based upon the premise of control (whether direct or indirect) in conjunction with the concept of significant influence. APESB is of the view that this definition may not capture key relationships, roles or entities connected to CIVs, especially in the instance that the CIV is not a listed entity or a related party of a listed entity.

In Australia, measures are in place to establish independence considerations for Managed Investment Schemes (MISs) that are subject to the requirements of the *Corporations Act 2001*, as well as superannuation funds (e.g., pension funds).

In addition to the auditor needing to comply with the auditor independence requirements in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110),¹ the *Corporations Act 2001* (the Act) sets out specific independence requirements for auditors of responsible entities that operate registered managed investment schemes and Registered Superannuation Entities (RSEs)² in Divisions 3, 4 and 5 of Chapter 2M. These requirements broaden the 'audited body' to include connected parties such as responsible entities (Section 324CH(2)) and RSE licensees (Section 324CH(2A)).

The prudential regulator, the Australian Prudential Regulatory Authority (APRA), which oversees superannuation funds, imposes specific regulations for these funds, including requirements related to audits and independence.

Since 1 January 2013, APES 110 has mandated that a broader range of entities must be determined to be PIEs as compared to the IESBA definition.³ In Australia, this means that entities, or certain categories of entities, are PIEs if they are deposit-taking institutions, insurers, superannuation entities (including the RSE and the RSE Licensees), disclosing entities, and other entities that issue debt or equity instruments to the public. As such, the

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- 1 [Section 307C of the Act](#) requires auditors to make a declaration of their independence in accordance with the relevant Codes of Professional Conduct and the requirements of the Act. ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* (ASA 102) issued by the Australian Auditing and Assurance Standards Board (AUASB) clarifies that the relevant code of professional conduct for audits performed under Chapter 2M of the Act is APES 110.
 - 2 In July 2023, legislation came into force that applies the audit requirements of Chapter 2M of the Act to RSEs with some exemptions. Further details are available at the ASIC website: <https://www.asic.gov.au/>. Prior to that date, the requirements were specified in legislation and regulations specific to the superannuation industry.
 - 3 While the definition of Public Interest Entity aligns with the definition in the IESBA Code, [paragraph AUST R400.23.1 of APES 110](#) sets out additional entities, or categories of entities, that are generally considered to be PIEs in Australia.

PIE independence considerations apply to superannuation funds and disclosing entities (which include registered MISs).

The key considerations for auditor independence in Australia are well established and clear for superannuation funds. However, issues may arise if MISs or their structures obscure the parties responsible for management of the scheme's investments and operations.

While Australia has established auditor independence considerations for MISs and superannuation funds, the increasing and significant investments managed through these types of entities create a public interest imperative for globally consistent auditor independence requirements. Separate jurisdictional legislation may not establish a globally consistent approach to independence. Therefore, we support the IESBA in considering whether the current definitions and provisions in the IESBA Code clearly identify the relevant parties of CIVs and Pension Funds to be included in the auditor's independence assessment.

Stakeholder views

Stakeholders provided mixed views on whether the definition of a related party and the IESBA Code capture all relevant parties for CIVs and related entities. Some stakeholders believed that the conceptual framework in the Code provides an adequate framework for considering independence threats arising from these relationships.

Other stakeholders noted that these types of entities may not be captured within the definition of related entities and that it was not explicitly clear how the conceptual framework would apply. These stakeholders believed that further consideration of the provisions in the Code was warranted, and they would support the issuance of guidance on independence considerations for auditors of such entities.

All stakeholders noted that these types of entities are highly regulated in Australia, and there is no evidence of ethical failings related to auditor independence for CIVs and pension funds.

Application of the Code to Connected Parties

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.**

- 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.**

APESB supports the establishment of a criteria or a definition of 'Connected Parties' for inclusion in the IESBA Code, however, we have some concerns with the proposals outlined in the consultation paper.

The term 'Connected Party' is quite broad and does not indicate the importance of the relationship. We are concerned that it could imply a wider cohort of entities and relationships should be considered in independence assessments, and we wonder whether further clarification on the connection is required. APESB suggests that the IESBA Project Team consider changing the term to 'Connected Parties responsible for Management or Governance' or another term that better reflects the types of parties that need to be considered.

We would encourage the IESBA Project Team to reflect on the criteria specified in the consultation paper for the term 'Connected Party'. We are supportive of the inclusion of limbs (a) and (b); however, we are concerned about limb (c) and whether it will inadvertently capture entities and relationships that it did not intend to be within its scope.

Stakeholder views

Stakeholders raised concerns about the breadth of the suggested criteria for connected parties, with many noting that limb (c) could encompass IT service providers and bookkeeping functions that may not be involved in management and governance functions.

Some stakeholders believed that the criteria for a connected party should be set out in Non-Authoritative Material (NAM) rather than being added to the Code. However, a couple of stakeholders supported including the term as a definition in the IESBA Code. The definition would provide the 'anchor' or connection within the Code upon which further guidance material can be developed.

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.?

APESB is of the view that the application of the conceptual framework in the IESBA Code to Connected Parties does warrant additional clarification. While we acknowledge the IESBA Code does not have to specify its application to each type of entity, the significant levels of funds invested in CIVs worldwide and the breadth of their application (as noted in paragraphs 15-18 of the Consultation Paper) creates a public interest imperative for strong and consistent auditor independence requirements.

APESB would support a definition of 'Connected Party' being added to the IESBA Code, subject to the concerns raised in question 2 being addressed. We would also support the inclusion of material in the IESBA Code to provide a clear connection that connected parties should be part of the auditor's independence considerations.

APESB notes that these entities are highly regulated in many jurisdictions; however, the legislation and allowable structures vary. We are of the view that highlighting the independence requirements for CIVs in the IESBA Code will ensure a globally consistent approach to independence is applied in the audits of these entities.

Stakeholder views

Stakeholders provided mixed views on whether additional clarification should be provided on the application of the conceptual framework by auditors of CIVs. Some stakeholders were of the view that the current provisions are sufficient, while others thought additional guidance in the Code or Non-Authoritative Guidance/Material would be useful.

- 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.**

Due to existing legislative requirements in Australia, APESB is of the view that auditor independence requirements are consistently applied to MISs that operate under the *Corporations Act 2001*. It is not clear whether this is the case when the provisions of this Act do not apply.

- 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.**

APESB is of the view that the IESBA Code already identifies interests, relationships and circumstances, such as the provision of Non-Assurance Services, that should be considered when undertaking an independence assessment for CIVs and their Connected Parties.

As noted in our response to question 1, specific auditor independence requirements, including interests, relationships and circumstances to consider for registered MISs and superannuation entities are set out in Sections 324CH to 324CL of the *Corporations Act 2001*. APESB note that the categories cover financial interests, business relationships, employment circumstances, director or officer roles, loans and guarantees. The IESBA Project Team may wish to consider the categories specified in Australian legislation to assess their consistency with the categories already defined in the IESBA Code.

Research Findings on Jurisdictional Responses to Independence

- 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.**

Yes. There are requirements specified in legislation and in APES 110 as detailed in our response to question 1. The regulations are broad, covering both entity-specific and audit-specific requirements.