

## AGENDA PAPER

**Item Number:** 10

**Date of Meeting:** 17 June 2025

**Subject:** Update on IESBA's consultation on Collective Investment Vehicles and Pension Funds

---

<input type="checkbox"/>	Action required	<input checked="" type="checkbox"/>	For discussion	<input checked="" type="checkbox"/>	For noting	<input type="checkbox"/>	For information
--------------------------	-----------------	-------------------------------------	----------------	-------------------------------------	------------	--------------------------	-----------------

---

### Purpose

To update the Board on the IESBA's consultation on Collective Investment Vehicles and Pension Funds.

### Background

In 2021, the International Ethics Standards Board for Accountants (IESBA) issued an exposure draft, [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE ED). The PIE ED contained proposed mandatory PIE categories, which included collective investment vehicles (CIVs) and entities that provide post-employment benefits (PEBs).

After reflecting on stakeholders' feedback on the PIE ED regarding the wide diversity in structure, governance and size of such arrangements, the IESBA removed CIVs and PEBs from the mandatory PIE categories in the [final pronouncement](#). This was on the grounds that including them would impose a disproportionate burden on local regulators and jurisdictional standard setters to refine those CIV and PEB categories.

However, with the concurrence of the Public Interest Oversight Board (PIOB), the IESBA committed to undertake a holistic review of CIVs and PEBs from an auditor independence perspective, given questions regarding the application of the "Related Entity" concept in the Code to such investment vehicles or structures.

The development of this consultation was informed by desktop research and stakeholder outreach conducted by the IESBA Project Team in 2024. APESB Technical Staff engaged with the IESBA Project Team in February 2024 to discuss the current regulations and independence requirements for CIVs and Pension Funds in Australia. The IESBA's Project Team's research findings on jurisdictional responses to independence are set out in [Appendix 2](#) of the Consultation Paper.

At the IESBA March 2025 meeting, the IESBA [approved](#) the Consultation Paper on auditor independence for audits of CIVs and Pension Funds (collectively referred to as “Investment Schemes” or “Schemes”). The [Consultation Paper](#) was issued on 31 March 2025, with a public comment period closing on 30 June 2025.

The Consultation Paper seeks views on whether revisions to the [International Code of Ethics for Professional Accountants, including International Independence Standards](#) (IESBA Code), are necessary to address the independence of auditors when they audit these Schemes. Stakeholder feedback will inform the IESBA Project Team’s report and recommendations on whether enhancements or clarifications to the IESBA Code are warranted.

At the September 2025 IESBA meeting, the IESBA will consider stakeholder feedback alongside the Project Team’s preliminary report and recommendations for the future.

Further details about the project are available in the IESBA’s [media release](#) and [project page](#).

## **Matters for consultation**

APESB Technical Staff is gathering information to develop a submission to the IESBA Consultation Paper for the Board to consider. This paper provides a high-level outline of the key concepts raised in the consultation paper (which is set out at Agenda Item 10(a)) and the stakeholder engagement undertaken to date by APESB Technical Staff.

### Key concepts in the IESBA Consultation Paper

Investment Schemes often rely on external parties (‘Connected Parties’) to provide functions or services that are typically managed internally in a conventional corporate structure. This structure introduces specific relationships that need careful consideration to identify and address threats to auditor independence.

The Consultation Paper notes that, if the Connected Party is not a Related Entity of the Investment Scheme under the IESBA Code, it would not be captured by the definition of “Audit Client” or the “Related Entity” provision in paragraph R400.27. Consequently, it would not be included in the scope of the specific independence provisions in Part 4A that apply to the Audit Client. In these circumstances, the auditor should apply the conceptual framework set out in Section 120 of the IESBA Code to independence. However, the conceptual framework approach allows for potentially different interpretations or outcomes in these types of audit engagements (see paragraph 36 of the Consultation Paper).

The Consultation Paper notes that different jurisdictions have responded to this issue in various ways, such as in the United States and Australia, where regulations have been established that include certain other parties as part of the audit client definition, thereby scoping them into the independence requirements.

The Consultation Paper seeks views on whether incorporating specific independence provisions for audits of Investment Schemes into the IESBA Code is necessary, including consideration of:

- The IESBA Code’s definition of ‘Related Entity’ and its applicability to audits of Investment Schemes.
- Establishing criteria to identify the Connected Parties that should be considered in relation to the assessment of auditor independence with respect to the audit of an Investment Scheme.
- The application of the IESBA Code’s conceptual framework when assessing threats to independence resulting from interests, relationships, or circumstances between the auditor of an Investment Scheme and Connected Parties.

## Engagement with stakeholders

To inform the APESB's submission, Technical Staff have sought engagement from the professional bodies, firms and other national standard setters. To date, Technical Staff have engaged with two professional accounting bodies and two large firms.

The stakeholders had a range of views about whether there was a need for any amendments to the IESBA Code, with most noting that Australian regulations are in place to address the concerns raised in the consultation paper. Key points raised by stakeholders are outlined below:

- structures and legislation vary across jurisdictions in the approach to CIVs and Schemes;
- the industry is a highly regulated area with existing checks and balances present in many local regulatory frameworks as well as in GAAP;
- the definition of Public Interest Entity in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) is broader than the base definition in the IESBA Code, and it captures pension funds and those CIVs which are listed entities or disclosing entities under the *Corporations Act 2001*;
- there may be structures not captured by existing regulations, and changes to the Code may ensure consistency in the application of the independence provisions;
- that enhancing clarity through non-authoritative guidance or additional application material could offer more precision;
- the IESBA Code should include the definition of "Connected Party" and application material that clarifies the independence considerations for these parties. This creates the nexus on which more detailed non-authoritative guidance could be developed.
- the existing conceptual framework in the Code provides an effective framework for dealing with the identification and response to independence threats that might arise; and
- additional requirements should not be added to the Code to reduce complexity and allow the extant principles-based approach in the Code to apply.

## **Way Forward**

Technical Staff are still undertaking further stakeholder consultations relating to the current status of CIVs in Australia and will update the Board on any significant matters identified.

Technical Staff will prepare the draft submission and seek the Board's approval out of session before 30 June 2025.

## **Recommendation**

That the Board note the update on the IESBA's consultation on Collective Investment Vehicles and Pension Funds.

## **Materials presented**

Agenda Item 10 (a) IESBA Consultation Paper on CIVs and Pension Funds

**Authors:** Jacinta Hanrahan  
Ann Chang

**Date:** 5 June 2025