

30 June 2025

Mr Ken Siong
IESBA Program and Senior Director
International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, NY 10017
USA

Dear Sir,

RESPONSE TO THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (“IESBA”) CONSULTATION PAPER (“CP”) – COLLECTIVE INVESTMENT VEHICLES (“CIVS”) AND PENSION FUNDS

For this CP, the Institute of Singapore Chartered Accountants (ISCA) sought views from its members through a one-month public consultation and discussed the CP with members of the ISCA Ethics Committee.

Our comments on questions in the CP are as follows:

Application of the Code to Investment Schemes

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?

CIVs/pension funds (referred to as “Investment Schemes”) are inherently complex with significant differences in how funds are structured across various jurisdictions. While the definition of related entity may not capture all relevant parties, we believe that proper application of the conceptual framework in Section 120 of the Code sufficiently guides the auditor to identify relevant parties of CIVs/pension funds, consider objectivity in relation to these parties, and to assess whether safeguards can be applied to reduce threats to an acceptable level.

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.**

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?

Introducing a new term “Connected Party” to address a limited scenario with respect to the audit of a CIV/pension fund appears to be inconsistent with the broader objectives of a global code.

If a new term is introduced, the generality of the criteria set out in paragraph 35 of the CP, as presently framed, will lead to variability in how they are applied. These include for example, ambiguity in the use of the word “substantially” in sub-paragraph (b). The word “substantially” is inherently subjective and is likely to be interpreted variably across engagements and jurisdictions.

Under sub-paragraph (c), the identification of parties who are able to exert significant influence over preparation of accounting records or financial statements may be challenging given the complex and unique structures of Investment Schemes and the common use of third-party service providers by Investment Schemes.

As set out in paragraph 5 of the CP, the Project Team has not identified any Investment Scheme financial failure in which an auditor’s lack of independence was a contributing factor. Hence, in our view, a new term is not necessary at this juncture.

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?

As mentioned in our response to Question 2, we believe that it is not necessary to introduce a new term “Connected Party”. The conceptual framework is already purposefully designed to be comprehensive and adaptable, and its application is not restricted to defined legal relationships such as formal control or ownership. The combination of a clear definition of related entity and the conceptual framework enables a comprehensive and proportionate assessment of independence threats, accommodating both structured and complex relationships.

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?

In the context of Investment Schemes, given the complexity and diversity in regulatory landscapes, legal structures and market practices across jurisdictions, a uniform global approach is not attainable or required. Hence, establishing a global baseline would not be practical.

We believe that the design and oversight of rules for Investment Schemes are most appropriately handled by local regulators, who understand the nuances of their domestic frameworks. Jurisdiction-specific regulatory requirements such as those set out in our response to Question 6 function alongside proper application of the conceptual framework to help ensure that auditor independence aligns with the reasonable expectations of stakeholders and the public interest.

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?

As mentioned in our response to Questions 2 and 3, we believe that proper application of the conceptual framework and definition of related entity sufficiently guides the auditor to identify relevant parties of CIVs/pension funds, consider objectivity in relation to these parties, and to assess whether safeguards can be applied to reduce threats to an acceptable level.

Therefore, introducing a new term “Connected Party” based on the criteria set out in paragraph 35 of the CP, appears to be unnecessary or inconsistent with the broader objectives of a global code. We suggest that IESBA provide clarification on the proper application of the extant Code with respect to audits of CIVs/pension funds through non-authoritative materials instead.

Research Findings on Jurisdictional Responses to Independence

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.

In Singapore, there are no specific requirements for audits of CIVs/pension funds outside of those regulated by the Monetary Authority of Singapore (MAS) or are caught by virtue of their listing status. The Singapore (SG) definition of a public interest entity (PIE) includes amongst others, any “financial institution” (FI) regulated by the MAS as defined in the Glossary of ACRA Code/EP 100¹, except for a handful whose main functions do not involve taking deposits from or providing insurance to the public.

FIs that fall within the scope of the SG PIE definition include trustee-managers of listed registered business trusts (BTs), Capital Markets Services (CMS) licensees, approved Collective Investment Scheme (CIS) trustees and licensed trust companies which could be CIVs. In addition, under the ACRA Code/EP 100, the audits of the financial statements of listed BTs and listed real estate investment trusts are required to be conducted in compliance with the same independence rules that apply to the audit of the financial statements of a PIE.

CIS by approved CIS trustees and funds managed by CMS licensees including fund managers do not fall within the scope of the SG PIE definition.

Should you require any further clarification, please feel free to contact Ms Alice Tan at alice.tan@isca.org.sg or Ms Ng Shi Zhen at shizhen.ng@isca.org.sg.

Yours faithfully,



Mr Terence Lam
Director
Advocacy & Professional Standards

¹ The Accounting and Corporate Regulatory Authority (ACRA) and ISCA are responsible for establishing ethical requirements for professional accountants. Public accountants (PAs) are required to comply with ACRA's Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code). ISCA members (both PAs and non-PAs) are required to adhere to the ISCA Ethics Pronouncement 100 *Code of Professional Conduct and Ethics* (EP 100).