



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

25 June 2025

Ken Siong,
IESBA Program and Senior Director,
International Ethics Standards Board for Accountants (IESBA),
529 Fifth Avenue,
New York, NY 10017,
United States of America.

Submitted via the website: www.ethicsboard.org

Dear Mr. Siong,

**CONSULTATION PAPER- COLLECTIVE INVESTMENT VEHICLES AND PENSION
FUNDS - AUDITOR INDEPENDENCE.**

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the **Consultation Paper - Collective Investment Vehicles and Pension Funds - Auditor Independence**

Our comments are herein attached.

We hope you will find our comments helpful.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba', with a circular flourish at the end.

CPA Charles Lutimba
DIRECTOR, STANDARDS AND REGULATION

Appendix 1: Comments to the Consultation Paper - Collective Investment Vehicles and Pension Funds - Auditor Independence

Appendix 2: Survey Report about ICPAU's Consultation on the Consultation paper - Collective Investment Vehicles and Pension Funds - Auditor Independence.

APPENDIX 1: ICPAU'S COMMENTS ON THE CONSULTATION PAPER- COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS - AUDITOR INDEPENDENCE.

Definition of Related Parties

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.

Comment:

Based on our review of the definition of the term 'Related Entities,' we come to the conclusion that the definition does not at least from a technical point of view incorporate all relevant entities sought to be considered under auditor independence for CIVs/pension funds. The approach so far adopted by different jurisdictions in as far the regulation of these entities is concerned seems to be different. In the circumstances we believe the conceptual framework currently provides sufficient guidance on the issue independence (Also see item 2.0 in Appendix II). Any attempts to widen the definition would pose a danger of creating unnecessary complexities and confusion. In Uganda for example the Uganda Retirement Benefits Regulatory Authority (URBRA), Act Cap. 232 explicitly restricts a member of a retirement benefit scheme, a trustee, custodian, administrator or fund manager from being appointed as an auditor of the scheme to which they are a member, a trustee, custodian, administrator or fund manager.

Instead, we recommend that additional guidance (and not necessarily revisions to the Code) by way of say non authoritative guidance be provided to cover Investment Schemes and their complex structures with multiple parties, including trustees, managers, advisors, and service providers. These entities may not always fall within the definitions of "related entities" as outlined in the Code. For example, third-party service providers engaged by the fund may have relationships with the auditor that could influence independence but might not be considered related entities under the current definition yet the element of control, or significant influence through direct financial interest, are fundamental in determining whether an entity should be classified as a related entity or not. These elements appear too remote when it comes to third party service arrangements in a CIVs/pension funds typical setup.

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.

Comment:

No, our comments in the above refer. In addition we applaud the Board for the initiative to scope connected parties into the ambit of the Code where such parties are neither covered under the definition of audit client or related parties, we are indifferent and have reservations on the criteria as set out in para 35 as some appear ambiguous and hence likely to breed unintended confusion and result into potentially different interpretations or outcomes which in the first place the Board seeks to address. For instance, if one says a connected party is able to substantially affect the financial performance of the scheme, how will one arrive at 'substantially affect'; the ripple effect construes the criteria to one's advantage depending on the circumstances.

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.

Comment:

Yes, we believe that 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. Section 120 provides a robust conceptual foundation for identifying, evaluating, and addressing threats to auditor independence. The Code's principles-based approach allows for professional judgment in the assessment of threats to independence during audits of Investment Schemes.

However, there's a need for additional guidance, especially for Investment Schemes that involve complex interconnected relationships and management structures like umbrella schemes. S.3(3) of the Collective Investment Schemes Act Cap. 65 defines umbrella schemes as investment companies with variable capital whose instruments of incorporation provide for pooling of contributions from participants and the sharing of the resultant profits or income and whose shareholders are entitled to exchange rights in one part for rights in another. (Refer to Section 3.0 of Appendix 2). This could include more precise definitions of Connected Parties in the context of CIVs and pension funds, illustrative scenarios demonstrating how threats may arise, and practical guidance on evaluating and responding to those threats. Such enhancements would promote greater consistency, transparency, and audit quality

while enabling auditors to more effectively uphold independence in an increasingly complex financial landscape.

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.

Comment:

No, whereas we may not have performed a review on how the conceptual framework in Section 120 of the Code is applied in other jurisdictions, we believe that the consistent application of the framework particularly in relation to assessing auditor independence for Connected Parties when auditing CIVs and pension funds—remains a challenge. While the principles-based nature of the framework offers flexibility and encourages professional judgment, this very flexibility can lead to varied interpretations across jurisdictions and audit firms depending on for example on regulatory strength and firm resources. Different jurisdictions differently design the legal and the legal regimes that relate to connected parties and the level of compliance depends on the ability to enforce the regime. Also, the complex nature of some Investment Schemes makes it difficult to determine who truly constitutes a connected party under the Code hence the need for additional guidance as indicated in Question 3 above.

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.

Comment:

Yes, we believe that there are specific interests, relationships, and circumstances between the auditor of a CIV or pension fund and its Connected Parties that should be explicitly addressed to strengthen the assessment of auditor independence. The IESBA consultation paper highlights that the unique structure and governance of CIVs and pension funds can create relationships that may not clearly fall under traditional independence rules but still pose significant threats.

For instance, a particular area of concern involves instances where the auditor provides non-assurance services to connected parties who may exert significant influence over a scheme. This is especially true for situations where the funds are

being managed or administered under an umbrella situation, such that the administrator or fund manager eventually has a big portfolio of funds under their management. Such situations lead to situations of shared ownership, cross-directorships, or joint ventures, which can create self-interest, familiarity, or advocacy threats.

Given these risks, it would be prudent for the Code to include clearer guidance on identifying and evaluating such complex relationships in the context of CIVs and pension funds. Addressing these relationships explicitly will help promote more consistent global practices, support stronger safeguards, and ultimately reinforce confidence in the auditor's independence in these complex environments.

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 regulations?

Please provide details.

Comment:

In Uganda, both the Collective Investment Schemes (CIVs) and Pension Funds are categorised as public interest entities. As such all the provisions of the Code regarding the audits of public interest entities are applicable to these entities. Auditors of Investment Schemes in Uganda therefore have to adhere to the provisions, especially with regard to the evaluation of threats to independence, rotation of audit partners, the provision of non-assurance services like valuation and actuarial services to Investment Scheme audit clients as well as the need for enhanced audit documentation.

The Ugandan regulatory framework for Investment Schemes is such that:

- a) The appointment and rotation of auditors is governed by the Capital Markets Authority regulations such as the Collective Investment Schemes (Financial and Accounting) Regulations 2003. These Regulations limit audits of Collective Schemes to auditors with valid practicing certificates issued by ICPAU and restrict the terms of these auditors to a period of 4 years.
- b) Pension funds are primarily governed by the Uganda Retirement Benefits Regulatory Authority Act, Cap. 232. The Act empowers the trustees of Pension Funds to appoint auditors with the approval of the Board. S. 64(2) of the Act specifically restricts members, trustees, custodians, administrators or fund managers of Pension Funds from being appointed as auditors. This move is aimed at ensuring the independence of the appointed auditors.

APPENDIX II: SURVEY REPORT ON ICPAU'S CONSULTATION ON THE CONSULTATION PAPER - COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS - AUDITOR INDEPENDENCE

1.0 Introduction

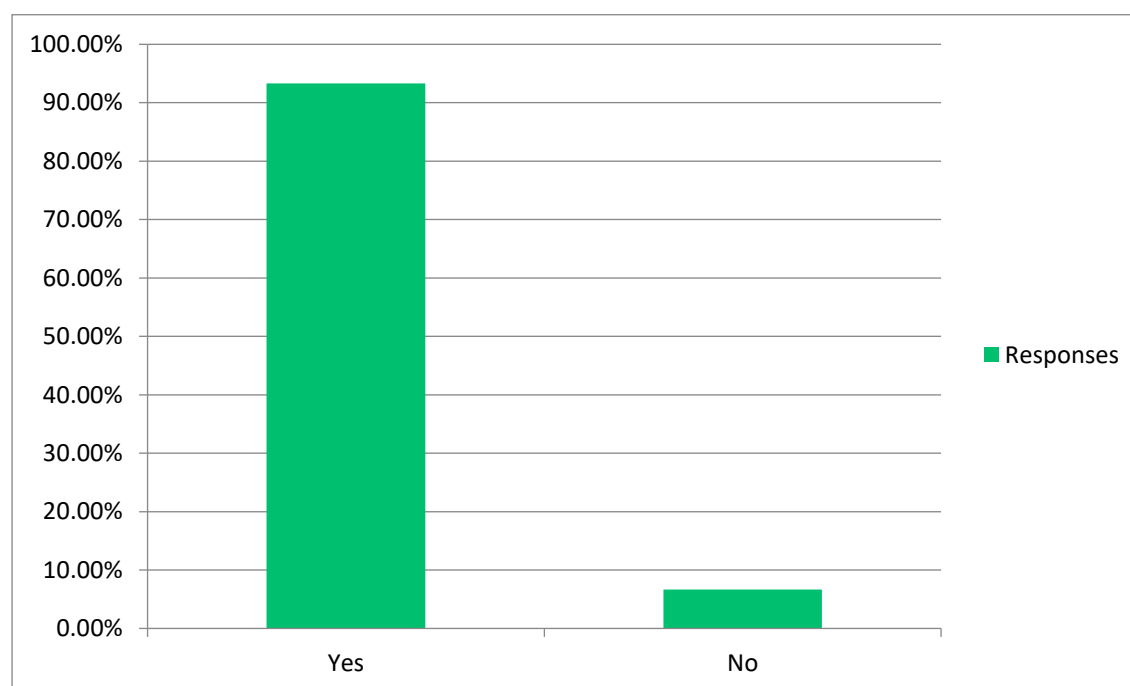
ICPAU conducted a survey to obtain members' views on the Consultation Paper - Collective Investment Vehicles and Pension Funds - Auditor Independence. The survey was administered electronically to members by email from April to May 2025. 20 responses were obtained and analyzed. This survey report describes the responses, based on the survey results.

The report is presented according to members' responses to the issues below:

- Connected Parties under the Code
- Application of the Code to Connected Parties
- Conclusion

2.0 Related Parties under the Code

This section of the report contains general views of the respondents about the provisions in the Code related to connected parties. The survey results indicated that majority of the respondents (93%) believed that Code's definition of related entities captures all relevant parties that need to be included in the auditor's independence assessment when auditing Collective Investment Vehicles/ Pension Funds. See the graph below for detailed responses.



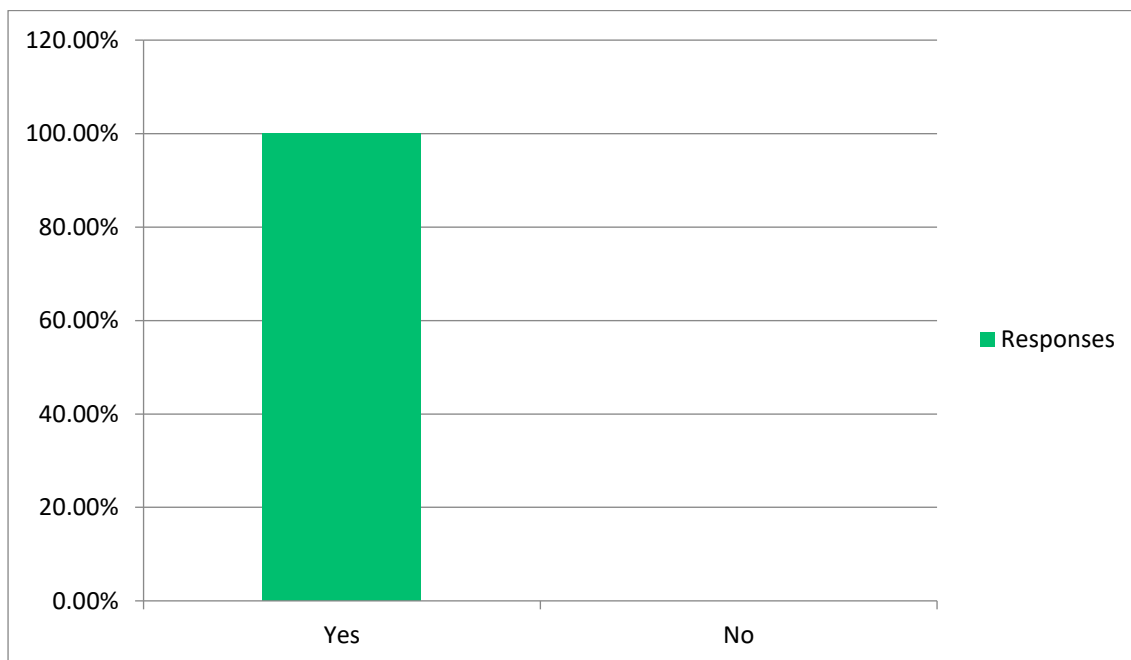
Qtn: The Code defines related entity as: "An entity that has any of the following relationships with the client:

- a) An entity that has direct or indirect control over the client if the client is material to such entity;
- b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity;
- c) An entity over which the client has direct or indirect control;
- d) An entity in which the client or an entity related to the client under (c) above has a direct financial interest that gives it significant influence over such an entity and the interest is material to the client and its related entity in (c); and
- e) An entity which is under common control with the client (a “sister entity”) if the sister entity and the client are both material to the entity that controls both the client and the sister entity.”

In your opinion, 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 Collective Investment Vehicles/ Pension Funds? Survey responses collected April - May 2025, from ICPAU members, n= 20.

3.0 APPLICATION OF THE CODE TO CONNECTED PARTIES

Investment schemes usually rely on other parties to provide functions or services for schemes that would otherwise be provided by employees or management in a conventional corporate structure. Currently the Code requires auditors to apply the conceptual framework set out in Section 120 when assessing auditor independence regarding connected parties. The survey results showed an overwhelming support (100%) for the requirement for supplemental clarity to support auditors in the evaluation of auditor independence during audits of investment schemes. See the graph below for detailed responses.



Qtn: Investment schemes typically do not employ their own staff. Instead, they rely on other parties to provide functions or services for the Schemes that management or employees would provide in a conventional corporate structure. In some cases, these parties might provide routine and mechanical services like bookkeeping or more complex tasks such as making investment decisions and managing financial records. The other parties in investment schemes are also referred to as connected parties are:

- a) Responsible for 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.*

Currently, the Code requires auditors to apply the conceptual framework set out in Section 120 when assessing auditor independence regarding connected parties. In your opinion, is it necessary for IESBA to provide greater clarity on the requirements for the evaluation of auditor independence during audits of investment schemes? Survey responses collected April - May 2025, from ICPAU members, n= 20.

4.0 Other Considerations Related to Auditor Independence during Audits of Collective Investment Schemes

There is need for additional guidance on the following:

- a) Interests of audit clients in cases where the auditor provides services to more than one investment scheme.
- b) Circumstances where an auditor may provide assurance services to one scheme and non-assurance services to another scheme that may be related either through joint trusteeships or fund management.