

PIR-ISA 540 (Revised)

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Project Team



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In Collaboration with IESBA to Develop an Overarching Framework for PIR

ISA 540 (Revised)

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ISA 540 (Revised) was approved in June 2018, effective for calendar 2020 audits

Public Interest Issues Addressed:

- ✓ Evolving audit risks due to a more complex business environment
- ✓ Fostering improved exercise of professional skepticism
- ✓ Improved communication and transparency

ISA 540 (Revised)

Key Changes:

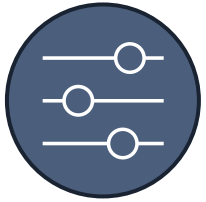
- Introduced the concept of inherent risk factors
- Enhanced risk assessment procedures
- Emphasized the importance of controls relating to accounting estimates
- Introduced objectives-based work effort requirements directed to methods, data and assumptions
- Enhanced “stand-back” requirement
- Enhanced the requirements about disclosures
- Included a new requirement related to communication with TCWG

Extensive Implementation Materials

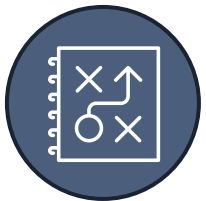


PIR-ISA 540 (Revised) Plan

Objectives Addressed by the PIR



Determine whether ISA 540 (Revised) is being **consistently understood and implemented** so that the IAASB can determine what actions, if any, are needed for ISA 540 (Revised) to achieve its intended purpose



Identify how **practical challenges and concerns** are being addressed and whether further actions by the IAASB are needed

Two-Phased Approach

1. Initial Information Gathering

Purpose: Understand the current landscape to identify key implementation areas for Phase 2

- ✓ Targeted Outreach
- ✓ Review of:
 - Basis for Conclusions
 - Publicly Available Inspection Reports
 - Research Papers and Publications

July 2025 – December 2025

2. Public Consultation and Development of Recommendations

Purpose: Obtain insights into implementation challenges and develop recommendations

- ✓ Public Survey
- ✓ Additional Targeted Outreach Activities

January 2026 – December 2026

Possible Outputs

1

Further Information-Gathering Activities

4

Facilitate or Support Actions by Others

2

Standard-Setting Activities

5

No Further Actions

3

Development of Non-Authoritative Materials

Matters for Board Consideration



The Board is asked for its **views on the proposed PIR-ISA 540 (Revised) plan** set out in Agenda Item 4-A and **whether other matters or activities should be included** in the plan.

Key Findings from Information Gathering Activities

JSS – Request for Information

Benefits or Improvements from ISA 540 (Revised)

- ✓ Enhanced Risk Assessment Procedures
- ✓ Focused Audit Response
- ✓ Overall Evaluation Based on Audit Procedures Performed

Potential Areas of Challenge

- ☐ Developing a Point Estimate
- ☐ Performing an Appropriate Risk Assessment
- ☐ Retrospective Reviews
- ☐ Use of Experts

Matters for Board Consideration



The Board is asked for its views on whether they are aware of benefits or implementation challenges or questions related to ISA 540 (Revised), other than those set out in Agenda Paper 4, that the Project Team should consider in developing the public consultation survey.

Way Forward

