

Agenda Item 4-B

For Reference

Post-Implementation Review of ISA 540 (Revised)¹ Plan

Objective

The objective of this document is to outline a plan of activities, including a timeframe for undertaking a Post-Implementation Review of ISA 540 (Revised) (PIR-ISA 540 (Revised)).

A. Introduction and Background

1. In June 2018, the IAASB approved ISA 540 (Revised) as a [final standard](#).² ISA 540 (Revised) established more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. These revisions also emphasized the importance of the appropriate application of professional skepticism when auditing accounting estimates. The standard was effective for audits of financial statements for periods beginning on or after December 15, 2019.
2. As highlighted in the [Strategy and Work Plan for 2024-2027](#), post-implementation reviews (PIRs) are considered after a significant period of global adoption and implementation of a standard (i.e., 3-5 years)³ and balancing with other work plan priorities and capacity considerations. The IAASB is commencing work for its PIR on ISA 540 (Revised) in 2025. Audits with December 2020 to 2024 year-ends would have been completed using ISA 540 (Revised).

B. Objectives Addressed by the PIR

3. The PIR objectives are to:
 - (a) Determine whether ISA 540 (Revised) has achieved its intended purpose by identifying:
 - (i) Improvements or benefits from applying the revised standard; and
 - (ii) Practical challenges or questions regarding its application, including whether it is being consistently understood and implemented; and
 - (b) Determine what actions, if any, are needed by the IAASB to address identified matters.
4. Significant questions, if any, arising from the PIR about the clarity of the core objectives or principles in the requirements may indicate that they are not working as intended. However, if there are specific questions about the application of the standard, the IAASB may still conclude that the standard is working as intended (in which case no further action may be indicated or the IAASB may consider that other actions, e.g., non-authoritative materials, are appropriate in the circumstances).
5. The PIR seeks to obtain insights into implementation challenges or questions that have been identified or raised relating to ISA 540 (Revised). The following distinction in relation to root causes of such matters

¹ International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

² Note that all references to paragraphs and other content of ISA 540 (Revised) is to the latest version of the standard in the 2023-2024 IAASB Handbook.

³ The value of a PIR is enhanced if sufficient time is allowed for a new or revised standard to be properly embedded in practice and for internal and external monitoring purposes, in the context of global adoption across jurisdictions.

will be an important consideration in developing views and recommendations based on the feedback received:

- (a) Auditor application issues – the requirements and application material in the standard are comprehensive, implementable and understandable (i.e., deficiencies in auditor application of the requirements); or
- (b) Standard issues – the requirements or application material are not clear and concise, present implementability challenges or leave room for different interpretations (i.e., matters relating to the comprehensiveness or clarity and conciseness that diminish understandability and the ability to be consistently applied).

C. Considerations for the PIR Plan

6. The Project Team proposes a two-phased approach:

- (a) Phase 1 – Initial Information Gathering. This phase focuses on undertaking a series of initial activities aimed at obtaining an understanding of the current landscape sufficient to identify key implementation areas to be explored through public consultation (see paragraphs 7–9). These initial activities are essential to inform the development of more focused consultation, outreach and other information-gathering activities that will be carried out in Phase 2.
- (b) Phase 2 – Public Consultation and Development of Recommendations. This phase centers on a public consultation survey to solicit feedback across a broad range of stakeholder constituencies and geographies. The goal is to obtain insights into implementation challenges or questions that have been identified or raised relating to ISA 540 (Revised). This can relate to the key implementation areas identified in Phase 1 or additional matters that stakeholders may wish to highlight. The Project Team will consider all comments received, along with the information it will gather from additional targeted outreach or other information-gathering activities to develop views and recommendations for the Board's consideration.

D. Details of the PIR Activities

Phase 1: Initial Information Gathering

7. During this phase, the Project Team will:

- (a) Obtain an understanding of the current adoption and implementation status of ISA 540 (Revised);
- (b) Gather information on activities and developments related to the implementation of ISA 540 (Revised); and
- (c) Gain insights into the benefits and potential key areas of challenge relating to ISA 540 (Revised).

Targeted Outreach

8. The following questions inform the planning for targeted outreach activities:

(a) *Who Should Be Part of the Targeted Outreach?*

The Project Team identified the following stakeholder groups for initial targeted outreach activities due to their direct involvement with the standard (i.e., adopting the standard with or without modification in their jurisdictions, implementing and applying the standard, or monitoring compliance with the standard):

- Jurisdictional standard setters (JSS);
- Auditing firms; and
- International Forum of Independent Audit Regulators (IFIAR), Standards Coordination Working Group (SWG) – see paragraph 9(b) below for further information.

(b) *How Should the Targeted Outreach be Conducted?*

Given the purpose of targeted outreach in Phase 1, the Project Team believes that utilizing existing mechanisms to connect with representatives of the selected stakeholder groups will be adequate, including for developing the public consultation survey and undertaking additional outreach activities during Phase 2. Therefore, the Project Team proposes to:

- Obtain initial input from members of the IAASB-JSS Liaison Group⁴ through a Request for Information.
- Hold a session during the fall 2025 [Forum of Firms](#) meeting, which will include breakout group discussions on specific questions related to the understanding and application of the revised standard.

Other Information-Gathering Activities

9. The Project Team intends to undertake other activities relevant to the PIR-ISA 540 (Revised), including:

- (a) Review of the Basis for Conclusions published during the development of ISA 540 (Revised) to identify key areas that were the subject of significant comments or concerns from respondents to the exposure draft and therefore may be expected to be areas of challenge in the implementation of ISA 540 (Revised).
- (b) Review of publicly available inspection reports from jurisdictional audit regulators and oversight bodies to identify key findings relating to the auditing of accounting estimates under ISA 540 (Revised) or jurisdictional equivalent standards. The Project Team proposes to meet with the IFIAR SCWG in Q4 2025 to discuss the results of this review.
- (c) Perform a desktop review of research papers and publications relevant to the auditing of accounting estimates in the context of the purpose of this PIR.

⁴ The IAASB-JSS Liaison Group comprise of JSS from 18 countries or jurisdictions as indicated on the [IAASB website](#) under "IAASB Jurisdictional Auditing and Assurance Standard Setters Liaison Group".

Phase 2: Public Consultation and Development of Recommendations

10. The information obtained during Phase 1 of the project will inform the development of focused questions for the public consultation survey. The survey represents the IAASB's public consultation as part of the PIR and will seek to gain a deeper understanding of perceived implementation challenges or questions that have been raised relating to ISA 540 (Revised), across a broad range of stakeholder constituencies and geographies.
11. The Board will discuss a draft of the public consultation survey in December 2025. Following the approval of the Board, the survey is expected to be issued in January 2026 for a 90 to 120-day consultation period.
12. The stakeholder survey will be open to all stakeholders and will include:
 - (a) A succinct background on ISA 540 (Revised) and the objectives of the PIR; and
 - (b) Targeted questions for each stakeholder group.

This public consultation will be in the format of an online survey that will be accessible via a link in the public announcement of the consultation and on the related IAASB webpage. To facilitate the internal processes of stakeholders in developing their responses, a hard copy of the survey will also be made available on the relevant IAASB webpage.

Additional Targeted Outreach Activities

13. The Project Team will undertake additional targeted outreach to complement its understanding of identified implementation challenges or questions and to augment, as applicable, the public consultation process to ensure input is obtained from all stakeholder groups.
14. The purpose of the additional targeted outreach is to gain a deeper understanding of the challenges or questions identified during the Phase 1 activities and the public consultation survey. This outreach provides an opportunity to engage directly with key stakeholders, allowing for probing questions and focused discussions. Together with the public consultation survey, this outreach will support the development of well-informed recommendations to the IAASB.
15. The Project Team will identify and prioritize stakeholders for targeted outreach activities. The Project Team may determine that it is necessary to follow up with specific stakeholders where further clarification of the survey responses is needed to better understand the feedback provided. In addition, the Project Team will assess the diversity and representation of stakeholders who participated in the public consultation survey and will proactively engage with stakeholder groups that may have been underrepresented. This will ensure that the perspectives gathered are comprehensive and balanced.

Output and Further Actions Arising from the PIR

16. The Project Team will present the feedback from the public consultation survey and other targeted outreach activities to the IAASB, along with the Project Team's views and recommendations. This will provide a basis for the Board to determine an appropriate way forward, which may include one or a combination of the following:
 - (a) Further information-gathering activities;
 - (b) Standard-setting activities; or

(c) Development of non-authoritative materials.

The IAASB may also determine that no further actions are needed. In addition to activities within its remit, the IAASB may decide that there are opportunities to facilitate or support action by others.

Timing of the PIR Activities

17. The Project Team proposes the following indicative timetable from the initiation of the PIR to completion of the planned activities.

Timeline	Proposed Activities and Deliverables
July 2025 – December 2025	<p><i>Phase 1</i></p> <ul style="list-style-type: none"> Initial information-gathering activities <p><i>Phase 2</i></p> <ul style="list-style-type: none"> Develop a public consultation survey, including focused questions based on information obtained during Phase 1
December 2025	<ul style="list-style-type: none"> Board's approval of the public consultation survey
January 2026 – April 2026	<ul style="list-style-type: none"> Publish the approved public consultation survey for a 90 to 120-day comment period Perform additional outreach activities Close the comment period for responses to the public stakeholder survey
May 2026 – December 2026	<ul style="list-style-type: none"> Analyze comments and discussion of feedback to the public consultation survey Perform additional outreach activities Develop views and recommendations about any further actions
December 2026	<ul style="list-style-type: none"> Completion of the PIR, including the Board's determination about any further actions

Resources

18. This PIR project will be led by a project team comprising at least two IAASB Staff. One or two Project Board members may be assigned to the project. The Project Team may reach out for strategic or technical input or views on balancing of stakeholder interests to any IAASB members or others, as appropriate, with relevant experience and subject-matter expertise throughout the project. Other resources may also be engaged to contribute to other actions, for example, for communications with stakeholders.

E. Revisions to the Plan

19. As the PIR activities progress, revisions to the plan may be appropriate. Depending on the significance of any proposed revisions the Board will either be updated about the nature and reasons for any revisions, or proposed revisions may be discussed with the Board.