

Agenda Item 8-B.2 (Supplemental)

Post-Implementation Review of ISA 540 (Revised)¹ – Respondents' Detailed Comments Related to Perceived Benefits in the Online Survey

Given the length of the document, the Project Team has added hyperlinks to the questions and themes included in this Agenda Item. Readers can click on the relevant question or theme to move directly to the corresponding section of the document, making it easier to navigate between sections without having to scroll through the full document.

This Agenda Item presents the 96 respondents' detailed comments on the narrative questions included in **Section IV – Perceived Benefits** of the [online survey](#). The comments are presented by significant themes and stakeholder groups. Because the feedback was analyzed by significant themes, individual respondents may have raised comments relating to more than one theme; accordingly, the number of comments presented under the individual themes may not equal the total number of respondents. The feedback received was analyzed and summarized in **Part C of Agenda Item 8**.

Narrative Question Included in Section IV – Perceived Benefits

- (a) [Question 9](#): Are there any additional benefits or positive outcomes arising from the implementation of ISA 540 (Revised) that you would like to highlight?

Question 9

Are there any additional benefits or positive outcomes arising from the implementation of ISA 540 (Revised) that you would like to highlight?

Significant Themes

- [A. Better Focus on Risk Assessment Procedures](#)
- [B. Improved Documentation](#)
- [C. Enhanced Processes at Entity](#)
- [D. Enhanced Transparency, Communication and Reporting](#)
- [E. Enhanced Exercise of Professional Skepticism](#)
- [F. Improved Consistency of Auditing Approach and Methodology](#)
- [G. Other Benefits](#)
- [H. No Specific Responses](#)

A. Better Focus on Risk Assessment Procedures

4. Regulators and Audit and Assurance Oversight Bodies

Lesotho Institute of Accountants

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

ISA 540 (Revised) has resulted in a more structured and risk-based audit approach to accounting estimates, with clearer linkage between assessed risks and audit responses and consequently more focused audit procedures. It has improved audit documentation, particularly in relation to management's methods, assumptions, data, estimation uncertainty, and indicators of management bias, and has supported earlier identification and resolution of issues relating to complex or highly judgmental estimates.

5. Jurisdictional and Other Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASB)

Focused inherent risk assessments with the consideration of inherent risk factors in paragraph 16(b) and the related application material (Source: Practitioners);

Institut der Wirtschaftsprüfer (IDW)

In our view, the introduction of ISA 540 (Revised) has led to noticeable improvements in the audit of complex accounting estimates. The standard's focus on methods, assumptions, and data has encouraged a more structured and risk-assessment-driven audit approach.

We believe that the clearer distinction between inherent and control risks supports more targeted, risk-assessment-driven audits. In particular, the separate requirements relating to models and data enable auditors to design more focused responses to identified and assessed risks.

6. Accounting Firms

BDO International Limited (BDO)

ISA 540 (Revised) has generally strengthened audit quality by introducing a more structured, disciplined, and transparent approach to auditing accounting estimates. Key improvements include a stronger focus on risk assessment, particularly the identification of inherent risk factors such as estimation uncertainty, complexity, and subjectivity, strengthening the link to ISA 315 (Revised). This has supported earlier and more robust identification of risks, enabling more targeted and effective audit responses.

KPMG International Limited (KPMG)

In general, we believe that the revisions to ISA 540 have achieved the IAASB's objectives to modernize the standard, in the public interest, to make it more responsive to evolving audit risks in an increasingly complex business environment. We highlight the following benefits that we have observed, in particular:

Risk Assessment - We consider that the enhancements to the standard in the area of risk assessment, especially the requirement to separately assess inherent risk and control risk for accounting estimates; the recognition that inherent risk lies along a spectrum; the introduction of the concept of inherent risk factors, and the disaggregation of the elements of estimates into methods, significant assumptions and data have enhanced audit quality. We believe that these changes support the performance of more rigorous and effective risk assessment procedures based on the auditor developing a more robust understanding of the specific drivers of risks of material misstatements in respect of estimates, particularly for complex estimates that are subject to greater estimation uncertainty. We also believe that the enhanced risk assessment also assists the auditor in identifying control deficiencies, including in relation to the inappropriate selection or application of methods, assumptions or data.

7. Professional Accountancy Organizations

Global Accounting Alliance (GAA)

Input In our view, the introduction of ISA 540 (Revised) has led to noticeable improvements in the audit of complex accounting estimates. The standard's focus on methods, assumptions, and data has encouraged a more structured and risk-assessment-driven audit approach.

We believe that the clearer distinction between inherent and control risks supports more targeted, risk-assessment-driven audits. In particular, the separate requirements relating to models and data enable auditors to design more focused responses to identified and assessed risks.

8. Others

EITMED

It has also helped auditors focus more clearly on areas most susceptible to bias and estimation uncertainty.

B. Improved Documentation

6. Accounting Firms

Baker Tilly International (BKTi)

In addition, the revised standard has driven improvements in audit quality through enhanced documentation, particularly around assumptions, data, and management bias, as well as the increased integration of estimates into fraud risk considerations, which has supported stronger inspection readiness and more robust audit files, with clearer evidence of challenge and justification of key judgments. It has also led to greater alignment between audit methodology, training, and findings from quality reviews, contributing to more consistent focus on high-risk estimates across the network.

BDO International Limited (BDO)

In addition, ISA 540 (Revised) has driven improvements in audit documentation, requiring clearer articulation of judgments and enhancing transparency and consistency. There is also greater focus on the reliability and relevance of data, as well as on disclosures, particularly in relation to estimation uncertainty. These changes have contributed positively to both audit quality and financial reporting outcomes, with improvements reflected in internal and external inspection findings. Supporting materials, including educational guidance and templates, have further reinforced these benefits by aiding implementation and promoting consistency.

KPMG International Limited (KPMG)

Documentation requirements – We welcome the enhancements to documentation requirements, which we consider align with the more robust and structured approach that underpins the changes made to the standard. We consider that these changes support engagement teams to document their audit work in respect of estimates more clearly. This includes a more structured description of the key aspects of their risk assessments, clearer linkage between identified risks and responses designed to address these, as well as demonstrating how the auditor exercised professional skepticism.

PricewaterhouseCoopers International Limited (PwC)

The revised standard has enhanced working practices by more explicitly driving audit responses that address the methods, significant assumptions and data used by management, and by clarifying

expectations around evaluating whether accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework. This has helped to support clearer documentation of significant judgements and conclusions, particularly for estimates that have higher estimation uncertainty.

7. Professional Accountancy Organizations

Institute of Singapore Chartered Accountants (ISCA)

The revised requirements have contributed to more robust documentation, particularly in higher-risk areas such as fair value measurements, impairment assessments and expected credit losses.

C. Enhanced Processes at the Entity

3. Preparers or Issuers of Financial Statements, Including TCWG

Lendo Saudi Arabia for Financing Company

The heightened expectations under ISA 540 (Revised) have encouraged Lendo KSA to establish clearer ownership of the estimation process at management level, with more formal sign-off procedures, documented rationale for key judgements, and periodic reassessment of assumptions between reporting periods. This internal governance improvement extends beyond the audit itself and has strengthened our overall financial reporting culture.

STC Bank

The ISA 540 - Revised would bring more clarity surrounding the estimation process and help in the Auditors in documentation of factors around the Management estimates leaving very little room for ambiguity

5. Jurisdictional and Other Standards Setters (JSS)

Institut der Wirtschaftsprüfer (IDW)

The revised standard has also provided an opportunity to raise awareness within firms and among preparers of the need for a systematic approach to accounting estimates and the documentation of that approach, thereby facilitating efficient and effective audits of accounting estimates.

7. Professional Accountancy Organizations

Accountancy Europe (AE)

The implementation of ISA 540 (Revised) has contributed to elevating the overall importance of accounting estimates within both the audit and financial reporting process, leading to increased attention from both auditors and preparers.

Association of Chartered Certified Accountants (ACCA)

An additional benefit observed by stakeholders is the positive influence that ISA 540 (Revised) has had on management's approach to developing accounting estimates. Increased auditor challenge and engagement have encouraged management to establish more robust processes for selecting methods, assumptions and data, and to give greater consideration to estimation uncertainty and related disclosures. In many cases, this has resulted in more structured and better-supported estimation processes.

Global Accounting Alliance (GAA)

The revised standard has also provided an opportunity to raise awareness within firms and among preparers of the need for a systematic approach to accounting estimates and the documentation of that approach, thereby facilitating efficient and effective audits of accounting estimates.

Malaysian Institute of Accountants (MIA Malaysia)

Improved awareness among management about the importance of robust estimation processes, which has indirectly strengthened internal controls in some engagements.

The Malaysian Institute of Certified Public Accountants

Improved awareness among management about the importance of robust estimation processes, which has indirectly strengthened internal controls in some engagements.

D. Enhanced Transparency, Communication and Reporting

2. Users of Financial Statements

European Federation of Financial Analysts' Societies (EFFAS)

More transparency and more relevant information.

3. Preparers or Issuers of Financial Statements, Including TCWG

Geidea Company

In addition to improving audit quality, ISA 540 (Revised) has encouraged stronger governance around accounting estimates, enhanced communication between management and auditors, and increased confidence in financial reporting by promoting greater transparency and consistency in the evaluation of significant estimates and assumptions.

4. Regulators and Audit and Assurance Oversight Bodies

Lesotho Institute of Accountants

The standard has also enhanced communication between auditors, management, and those charged with governance by encouraging earlier engagement on key assumptions, data limitations, and disclosure matters. This has often led to improved estimation processes and stronger supporting documentation from entities in anticipation of increased audit scrutiny.

5. Jurisdictional and Other Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASB)

Improved quality and usefulness of the entity's disclosures in the financial statements related to accounting estimates has improved users' understanding of the impact of accounting estimates on the entity's financial position and financial performance (Source: Regulators); and

Reinforced linkage in ISA 540 to key audit matters (see ISA 540.A114), has led to improved communication in the auditor's report about the estimation uncertainty associated with accounting estimates that required significant auditor attention, and they how were addressed in the audit (ISA 701.14) (Source: Regulators).

South Africa Institute of Chartered Accountants (SAICA)

The standard continuously improves professional scepticism amongst auditors when performing audits.

The standard is also management in the presentation and disclosure of accounting estimates in the financial statements as management became aware of auditor's expectations. Furthermore, the non-authoritative material namely, 'Considerations for management when determining accounting estimates and disclosures' has also greatly assisted management.

There has been an increased auditor attention to disclosures related to accounting estimates, including disclosures about estimation uncertainty. But there is still a need to enhance this area in order to promote consistent application.

6. Accounting Firms

BDO International Limited (BDO)

Furthermore, the requirement to communicate significant estimates with TCWG leads to a better understanding of the extent and significance of estimates used in financial statements and in some cases, has improved the understanding of the TCWG in this area.

KPMG International Limited (KPMG)

Communication/Transparency - We also welcome the increased emphasis on the consideration of matters relating to accounting estimates, in particular those in relation to which there is higher inherent risks, e.g. because they are more complex and/or have high estimation uncertainty, when communicating with those charged with governance. We believe these help to foster more robust discussions between auditors and those charged with governance, and drive audit quality.

In addition, we believe the enhancements to the standard drive auditors to place greater emphasis on audit procedures in respect of disclosures related to estimates, and support more meaningful communication of auditor considerations in respect of estimate-related matters, including estimation uncertainty, when describing Key Audit Matters. This enables users of financial statements to better understand audit judgements and risks in respect of estimates.

PricewaterhouseCoopers International Limited (PwC)

We furthermore believe that the emphasis on disclosures (and in particular, disclosures about estimation uncertainty) has also supported more effective communications with management and those charged with governance regarding their estimates.

7. Professional Accountancy Organizations

Association of Chartered Certified Accountants (ACCA)

Stakeholders also noted improvements in the quality and consistency of discussions between auditors, management and those charged with governance regarding accounting estimates. The standard has provided a useful framework for supporting internal and external discussions on the appropriateness of estimates and the evidence required to support them.

While stakeholders generally believe that these developments have contributed positively to the quality of financial reporting related to accounting estimates, this assessment is primarily based on anecdotal observations and practical experience. It is difficult to directly attribute improvements in financial reporting

quality solely to ISA 540 (Revised), given the influence of other factors, including changes in financial reporting standards, regulatory oversight, and broader developments in audit methodologies and practices.

Chartered Accountants Ireland (CAI)

Its implementation has also increased the prominence of accounting estimates in both audit and financial reporting, driving greater focus from auditors and preparers.

CPA Australia

The revised standard has also increased attention to related disclosures and reinforced communication with those charged with governance on significant judgmental areas.

For some entities, it also appears to have encouraged more disciplined and supportable estimation processes by management, especially in areas involving significant judgment or complex modelling.

The revised standard also appears to have encouraged more disciplined and supportable estimation processes by management, particularly in areas involving significant judgment or estimation uncertainty.

Institute of Chartered Accountants in England and Wales (ICAEW)

Better quality financial reporting

An indirect benefit of a financial statement audit can be an improvement in the quality of financial reporting. However, it is not the purpose of auditing standards to drive better financial reporting practices.

While the benefit is indirect, we agree that improved financial reporting and other processes related to AEs are benefits arising from the revised standard. A representative from a UK building society said:

'ISA 540 (Revised) has strengthened (...) governance and transparency over accounting estimates in relation to IFRS 9 expected credit losses. It has driven clearer articulation of assumptions, improved audit trail, and enhanced Audit Committee oversight.'

E. Enhanced Exercise of Professional Skepticism

5. Jurisdictional and Other Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASB)

o Enhanced exercise of professional skepticism specifically through the addition of paragraph 33 (the “stand back”) and the requirement in paragraph 34 to consider all evidence obtained, whether corroborative or contradictory, allowing an avenue for (Source: Regulators and Practitioners):

- practitioners to appropriately challenge management's decisions on the recognition, measurement and disclosures of accounting estimates; and
- regulators to see, through the engagement documentation, how the auditors have appropriately challenged management's determinations.

Australian Auditing and Assurance Standards Board (AuASB)

The stand back requirements of paragraphs 33-36 are beneficial to audit quality in this area.

6. Accounting Firms

BDO International Limited (BDO)

The standard has also enhanced the need for professional scepticism, encouraging auditors to more rigorously challenge management's methods, assumptions, and data rather than relying heavily on specialists. Increased emphasis on management bias and the consideration of contradictory evidence, supported by formalised stand-back evaluations, has strengthened auditors' ability to assess the reasonableness of estimates and identify potential bias or manipulation.

KPMG International Limited (KPMG)

Professional Skepticism - We consider that the revisions to the standard drive greater exercise of professional skepticism by auditors in relation to auditing estimates. In particular, we believe the revisions drive auditors to exercise professional skepticism in respect of estimates throughout the audit e.g., when understanding the basis for management's selections, judgements and assumptions, when challenging management e.g., with respect to changes (or the need for changes), alternatives and considering whether there are indicators of management bias, as well as due to the enhancements to the stand-back requirements, which we consider have improved the identification of management bias and enhanced the robustness of audit conclusions.

7. Professional Accountancy Organizations

Global Accounting Alliance (GAA)

We also consider the standard's emphasis on management bias and estimation uncertainty to be valuable in promoting and guiding the exercise of professional skepticism.

F. Improved Consistency of Auditing Approach and Methodology

4. Regulators and Audit and Assurance Oversight Bodies

Chamber of Auditors of the Czech Republic

In addition to the benefits already highlighted, the implementation of ISA 540 (Revised) can contribute to greater consistency in auditors' approach to accounting estimates, making audits more comparable across different teams and entities, and to more systematic documentation of audit procedures.

Independent Regulatory Board for Auditors (IRBA)

Clearer and more structured audit approach

- The revised standard has introduced a clearer and more structured framework for auditing accounting estimates, reducing ambiguity and promoting consistency in how auditors approach methods, assumptions and data.

5. Jurisdictional and Other Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASB)

o Led to greater consistency in how audit firms approach the audit of accounting estimates as a result of updating their internal methodology for the revised standard, which, as noted above, included greater specificity than before (Source: Regulators);

7. Professional Accountancy Organizations

Accountancy Europe (AE)

The standard has provided a useful framework within audit firms, supporting more structured internal discussions, clearer working paper approaches and more consistent methodologies when auditing accounting estimates.

Institute of Chartered Accountants of Ghana

ISA 540 (Revised) has provided a basis of comparison and consistency for all firms, irrespective of size, nature, or jurisdiction to apply the same standard relating to the same or similar item or situation. This enhances comparison of financial statements by investors.

8. Others

EITMED

In addition to the benefits above, ISA 540 (Revised) has improved consistency in audit approach, encouraged stronger documentation of judgments and assumptions, and supported better dialogue between auditors and management on complex estimates.

G. Other Benefits

3. Preparers or Issuers of Financial Statements, Including TCWG

Mike Reid

Regulators and other quality reviews now have more granular information to assess the auditors' compliance with ISA 540. Previously it was a source of great debate as there were varying interpretations of the level of evidence (quality, quantity and corroborative/conflicting) that is appropriate in the circumstance.

4. Regulators and Audit and Assurance Oversight Bodies

Independent Regulatory Board for Auditors (IRBA)

Enhanced robustness, more evidence-based challenge of management's assumptions

- The revised standard encourages a deeper understanding of management's estimates and consequently a more robust challenge of management's assumptions, corroborating assumptions with external evidence.

Lesotho Institute of Accountants

In addition, ISA 540 (Revised) has increased the use of specialists in areas involving complex models, valuations, actuarial assumptions, and expected credit loss calculations, thereby strengthening audit evidence. It has reduced the likelihood of late audit adjustments or last-minute disagreements, improved engagement review processes, and promoted more consistent application of risk-based audit work across engagements. At the same time, it has enabled a scalable approach, allowing more extensive procedures for complex estimates while maintaining proportionality for simpler ones.

Overall, ISA 540 (Revised) has contributed to stronger audit quality, improved governance and communication, and enhanced confidence in financial reporting through more transparent and reliable accounting estimates and disclosures.

Public Accountants and Auditors Board Zimbabwe (PAABZ)

The revised standard has improved audit approaches by promoting a more structured assessment of estimation uncertainty, complexity and subjectivity, resulting in enhanced audit evidence, documentation and consideration of disclosures.

5. Jurisdictional and Other Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASB)

- In general, parties we engaged with agreed that each of the perceived benefits or improvements listed in question 8 and that the enhancements to ISA 540 have led to improvements when auditing accounting estimates with a higher degree of complexity.
- Along with the benefits in question 8, participants in outreach indicated that ISA 540 (Revised):
 - o Provided greater specificity in the requirements for auditing estimates, better supporting inspection reviews by making departures from the requirements (i.e., deficiencies/inspection findings) more readily identifiable (Source: Regulators).
 - o Provided greater specificity in the requirements for auditing estimates, which led to increased audit consideration, and greater attention to auditing accounting estimates (Source: Practitioners).

Institut der Wirtschaftsprüfer (IDW)

In the context of increasing digitalization, we observe that the integrity and consistency of data, particularly data originating from IT systems, are becoming increasingly important in the audit of accounting estimates. With regard to question 8(a) we also consider the standard's emphasis on management bias and estimation uncertainty to be valuable in further promoting and guiding the exercise of professional skepticism.

Instituto Mexicano de Contadores Públicos (IMCP)

Benefits are in general consistent with what we have observed in practice and the feedback received from practitioners. No doubt that the robustness of processes has improved the interaction between the audit teams, including specialists and experts, with management and those charged with governance. Regarding the focus on testing controls related to accounting estimates, we have not observed that this is the preferred approach from audit teams as most of the responses to the risk of material misstatement relates to the application of substantive testing.

Japanese Institute of Certified Public Accountants (JICPA)

We believe that the categorization of the factors that auditors should consider into estimation methods, assumptions, and data, and encouraging such consideration, has had a certain positive effect in improving the quality of the auditors' assessment.

New Zealand Auditing and Assurance Standards Board of the External Reporting Board

ISA 540 MAY HAVE IMPROVED AWARENESS AND REPORTING QUALITY

Several factors have contributed to improvements in reporting and auditing management's estimates and related disclosures. As a result, these benefits cannot be attributed solely to ISA 540 (Revised).

We have heard that increased audit focus on accounting estimates may have improved the quality of financial reporting in this area.

We have also observed better awareness and identification of accounting estimates that fall within the scope of ISA 540 (Revised).

Auditors may be placing more focus on understanding controls over management's estimates, often through walkthrough procedures. However, this has not necessarily led to more reliance on controls or less substantive testing being performed for accounting estimates. This is mainly because many entities do not have controls that are strong enough to support testing of operating effectiveness of controls.

South Africa Institute of Chartered Accountants (SAICA)

We agree that the ISA 540 (Revised) has led to greater attention to understanding management's process for making estimates, including the selection of methods, assumptions and data. This has also been incorporated to the methodology of firms.

There is more focus on understanding governance of controls related to accounting estimates.

As a result of the enhancements to the standard, auditors are required to consider all the elements that are considered by management in determining an accounting estimate such as the selection method of model used to calculate the estimate, the assumptions used and completeness and accuracy of data used.

6. Accounting Firms

Baker Tilly International (BKTi)

One additional benefit of ISA 540 (Revised) has been the shift away from standardised or "roll-forward" approaches toward more entity-specific and risk-based audit work. The standard has reinforced the need for auditors to justify their approach based on current-year facts and circumstances, which has strengthened the robustness and relevance of audit evidence obtained for accounting estimates. This has also contributed to improved linkage between risk assessment, audit procedures, and conclusions.

BDO International Limited (BDO)

However, the extent of impact has been mixed, with benefits varying across engagements. Where robust procedures already existed under the previous standard, the revised requirements have not always resulted in significant additional improvements.

Deloitte Touche Tohmatsu Limited (DTTL)

Overall, ISA 540 (Revised) has achieved its intended purpose; however, we believe the standard is most relevant when the estimation uncertainty, complexity or subjectivity are high.

Ernst & Young Global Limited (EY)

The guidance in ISA 500 on using external information sources, introduced alongside ISA 540 (Revised), has been helpful in evaluating whether the assumptions and data used in accounting estimates are relevant and reliable.

Grant Thornton International Ltd (GTI)

Related to Question 8(b), we responded "0" to indicate a neutral response. We did not see changes related to consideration of the skills and competency of the engagement team, including the need to involve specialists or experts as a result of implementing ISA 540 (Revised). We also want to bring to the IAASB's attention that in many jurisdictions, regulators are asking more questions about the need to involve

specialists or experts. In certain jurisdictions, regulators are interpreting ISA 540 (Revised) differently and setting an expectation that the use of an expert is always required, even when the engagement team has appropriate skills and competencies.

Related to question 8(e), we responded "0" because we believe the increased focus on understanding controls related to accounting estimates was driven by ISA 315 (Revised 2019). In our outreach amongst network firms, we also heard that auditors are less focused on testing controls related to accounting estimates because ISA 540 (Revised) paragraph 18 requires the auditor to perform specific further audit procedures.

KPMG International Limited (KPMG)

Responses to Assessed Risks – We believe that the enhancements to risk assessment facilitate the performance of more targeted further audit procedures to respond to the assessed risks of material misstatement, focused on where the risk specifically resides, rather than a more generalized response to an aggregate and undifferentiated risk. We welcome the introduction of clear, objective-based requirements, in particular, those directed to the estimate elements of methods, assumptions and data, which drive a more focused and consistent approach, improving audit quality and consistency.

Consideration of the Skills and Competencies of the Engagement Team, Including the Need to Involve Specialists/Experts – We believe that the more granular and targeted approach resulting from the changes to the standard as described above has enhanced the auditor's considerations in respect of whether the engagement team collectively has the appropriate competence and capabilities to perform the audit procedures required in respect of estimates. This includes considerations as to whether there is a need to involve specialists and experts, including valuation experts, IT/technology experts, including data analysts and those with expertise in emerging technologies, including the use of AI. As a result, the revised standard not only helps to ensure that such specialists/experts are involved as part of a multidisciplinary engagement team when necessary, but also enables engagement teams to involve appropriate specialists/experts in a more focused way to address specific risks, and to assist in exercising professional skepticism, improving the quality of audit work in complex areas.

PricewaterhouseCoopers International Limited (PwC)

We have not identified specific additional benefits but would like to emphasize the following points referred to in our response to Question 8 above. In our view, the revised standard has strengthened the audit of accounting estimates by providing a clearer and more robust framework for identifying and responding to the assessed risks of material misstatement arising from estimation uncertainty, complexity and subjectivity.

7. Professional Accountancy Organizations

Chartered Accountants Australia and New Zealand (CAANZ)

While the standard has brought more rigour and structure to the auditing of accounting estimates, there are still some challenges. Below are some additional comments on our rankings.

It is difficult to establish that the revised standard has, in isolation, improved the quality of financial reporting relating to estimates. Improving the quality of financial reporting is primarily the responsibility of the accounting standards, not the auditing standards, however improved rigour in auditing of estimates will necessarily involve greater challenge to management's estimates which may lead to refinement/adjustment of estimates and therefore impact the disclosures made in the financial report.

We have heard feedback that the use of experts can still be challenging, particularly where assets are highly specialised. This can be a particular challenge in the public sector given the nature of the assets. In these circumstances, it can be difficult to appropriately challenge the work of a management's expert or find an independent expert as an auditor's expert, particularly in smaller jurisdictions. Given the current projects on audit evidence, the board should consider whether more guidance can be provided ahead of any additional revisions or guidance that may be forthcoming regarding the use of experts from those projects. The timing of any revisions to ISA 540 (Revised) in relation to this needs to be considered in light of the timing of the audit evidence projects and potential revisions to ISA 500.

Chartered Accountants Ireland (CAI)

The standard has provided a useful framework, supporting more structured discussions, clearer documentation, and greater consistency in auditing accounting estimates.

CPA Australia

ISA 540 (Revised) appears to have encouraged a more structured and disciplined approach to auditing accounting estimates. In particular, it has strengthened the link between risk assessment, audit response and overall evaluation, and has supported more robust challenge of management's methods, assumptions and data, including contradictory evidence. For members working with small and medium entities (SMEs), the revised standard has increased awareness of controls relevant to accounting estimates. In practice, however, testing the operating effectiveness of those controls is often limited because many SME clients do not have sufficiently formalised controls.

That said, it is still difficult to conclude definitively whether these improvements have consistently translated into higher-quality financial reporting or more decision-useful disclosures for users, particularly as accounting estimates and valuations remain an enduring area of regulatory focus in Australia [<https://www.asic.gov.au/regulatory-resources/financial-reporting-and-audit/financial-reporting-and-audit-focus-areas/>] and New Zealand [<https://www.fma.govt.nz/news/all-releases/media-releases/importance-of-high-quality-financial-reporting/>]

Global Accounting Alliance (GAA)

In the context of increasing digitalization, we observe that the integrity and consistency of data, particularly data originating from IT systems, are becoming increasingly important in the audit of accounting estimates.

Ibracon - Brazil Institute of Independent Auditors

Enhanced quality of accounting estimates model development, as well as related internal controls documentation, as a consequence of more specific and granular procedures performed by auditors.

Institute of Certified Public Accountants of Kenya (ICPAK)

Stronger governance, more disciplined estimation processes, better audit documentation, greater use of technology, and increased confidence in financial reporting.

Institute of Chartered Accountants in England and Wales (ICAEW)

Greater consideration of the skills and competencies of the engagement team, including the need to involve specialists or experts

Those we consulted agreed that the standard has driven improved consideration of the need to involve specialists or experts. However, concerns were expressed about way the standard leading to a presumption that the use of such specialists or experts is expected and required in more circumstances than the IAASB intends. Unrealistic expectations about the use of specialists and potential overuse need to be addressed.

Skills and competencies of the engagement team: the quality of audit work around AEs remains inconsistent. The reasons for this include firm-related issues, a lack of understanding of the standard by individual auditors, and regulatory pressures. These issues cannot be resolved by simply finessing the wording of auditing standards.

More focus on understanding and testing controls

We agree that the revised standard has increased auditor focus on controls. However, we are uncertain to what extent it has driven more testing of controls as an increasing numbers of audits, particularly larger audits where analytics are used extensively, focus on substantive procedures. Many AEs, by nature, do not lend themselves well to controls that auditors can test.

Institute of Chartered Accountants of Ghana

It serves as a unified platform for financial reporting globally. Hence, reduces financial manipulation by the preparers of accounts. It also helps the compatibility of financial information.

International Federation of Accountants (IFAC)

IFAC considers that ISA 540 (Revised) has delivered additional benefits by clarifying the requirements compared with the previous standard and supporting a more structured audit approach to accounting estimates. It also provides a useful foundation for addressing newer challenges, including the use of technology and artificial intelligence in developing estimates, although further implementation support may be needed in this area.

Malta Institute of Accountants (MIA Malta)

Additional benefits include a clearer linkage between risk assessment and the design of audit responses; stronger discipline around evaluating estimates through the lenses of methods, assumptions and data; greater focus on the need for appropriate expertise; and stronger governance dialogue around estimation uncertainty and related disclosures.

Pan African Federation of Accountants (PAFA)

The standard has strengthened professional scepticism, deepened auditors' understanding of estimation processes, improved overall audit quality, enhanced risk assessment and disclosure practices, and fostered greater consistency and dialogue between auditors and management, thereby supporting transparency and trust in financial reporting, though disclosure requirements can be difficult to apply with smaller clients where awareness of estimation uncertainty is limited.

H. No Specific Responses

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

International Organization of Securities Commissions (IOSCO) Committee 1

2. Users of Financial Statements

Bank Aljazira

No

Credicorp Ltd.

No

Gulf international Bank KSA

No

Kei Tsuchiya (The Securities Analyst Association of Japan)

No

Rasid Payments Company

No

3. Preparers or Issuers of Financial Statements, Including TCWG

Ahmed Alfaraj

No

AJIL Financial Services Company

No

Alinma Bank

No

Arab National Bank

No

Banque Saudi Fransi (BSF)

No

Credit (Digital Financing From Anywhere)

No

Emirates National Bank of Dubai

No

Hala Payments

No

Madfu BNPL Financing Company

No

Masar Finance Company

No

National Bank of Kuwait, KSA

No

Nayifat Finance Company

No

Rami Aljabri

Saudi Real Estate Refinance Company

No

SNB

No

4. Regulators and Audit and Assurance Oversight Bodies

Botswana Accountancy Oversight Authority (BAOA)

No

Canadian Public Accountability Board (CPAB)

Chamber of Auditors of Azerbaijan Republic

No

Saudi Central Bank (SAMA)

UK Financial Reporting Council (UK FRC)

No

5. Jurisdictional and Other Standards Setters (JSS)

Group of Latin American Accounting Standards Setters (GLASS)

No

Hong Kong Institute of Certified Public Accountants (HKICPA)

No

Royal Netherlands Institute of Chartered Accountants (NBA)

No

Saudi Organization for Chartered and Professional Accountants (SOCPA)

No

6. Accounting Firms

Alzoman, Alfahad & Alhajjaj Professional Services

No

BKR ISIK Consulting (International Auditor Company)

Cristian Emmanuel Munarriz (Practitioner)

No

Crowe Solutions for Professional Consultancy

No

Dr. Mohamed Al-Amri & Co. (Member Firm to BDO International Limited)

No

ELVI Audit FINANS LLC

No

Forvis Mazars Global Limited (Mazars)

No

Housam Halawa (Practitioner)

No

Kia Atlas (Director, RSM)

No

Luna Space Financial Company

No

Natiq Əliyev (Practitioner)

No

Qulu Cebizade (Practitioner)

No

RSM International Limited (RSM)

No

Shamistan Suleyman (Practitioner)

Sultan Ahmed Alshubaily CPA (Practitioner)

No

Wing Tam (Principal, Forvis Mazar)

No

Zamin Huseynov (Director, Crowe LLP)

No

7. Professional Accountancy Organizations

European Federation of Accountants and Auditors for SMEs (EFAA)

No

Institute of Certified Public Accountants of Uganda (ICPAU)

No

Instituto Nacional de Contadores Públicos de Colombia (INCP)

No

Nordic Federation of Public Accountants (NRF)

No

Virgina Society of CPAs Audit and Accounting Committee

No

8. Others

ASK KSA Consulting Inc.

No

Saudi Awwal Bank (SAB)

No

Trust Consulting and Training LLC

No