

# ISA 540 (Revised) Post-Implementation Survey

Response ID:337 Data

## 3. Section II: About the Respondent

### 1. Please provide the following information about your organization (if applicable) and other contact information:

Organization (or leave blank if you are completing the survey in your personal capacity) : Chartered Accountants Australia and New Zealand

Name(s) of contact(s) for this submission : Amir Ghandar

Job title or role : Reporting & Assurance Leader

E-mail address(es) of contact(s) : Amir.Ghandar@charteredaccountantsanz.com

### 2. Please select from the following options the stakeholder group to which you or your organization belongs:

Professional Accountancy or Professional Organization (PAOs)

### Specify the type of accounting firm you represent:

#### Please specify:

### 3. Please select from the following options the geographical region that best matches you or your organization:

Asia Pacific

### 4. Did you undertake outreach activities with other stakeholders outside your organization to inform your responses to this survey?

Yes

### 4A. Please provide further information about your outreach activities, including:

The manner in which the outreach was undertaken. : Attendance at roundtables with stakeholders, virtual and in person discussions with stakeholders including practitioners in Australia and New Zealand, standard setters and other professional bodies

The nature and number (or estimate thereof) of stakeholders with whom you engaged. : More than thirty

### 5. You are welcome to provide any additional information you believe may be relevant to clarify the context in which you are completing the survey, or the circumstances or experiences that have informed your views or perspectives (or you can choose to leave this question blank).

In our response to the IAASB/IESBA joint strategy survey we stressed that the board needs clear strategies to decide when emerging issues and feedback result in the need amend to underlying principles or can be addressed through guidance supporting consistent application. In the absence of clear evidence that a principle in a standard or the Code needs revision to respond to change, that other forms of response such as outreach, education and guidance should be used.

In the case of ISA (540) revised, the operation of the standard has been impacted by the subsequent revision of ISA 315 and there are potential interactions with current projects such as the audit evidence projects. When assessing the feedback from the PIR we urge the board to consider the need for any amendment to ISA 540 carefully, including when it may be appropriate to make such amendments given other ongoing projects and where challenges identified in the feedback can be addressed via further guidance and outreach.

In considering any potential amendments, the board may also need to consider the changes in the financial reporting landscape since the revision to the standard. The accounting standards continue to introduce complexity to estimates and the standard needs to be able to address both complex and non-complex estimates in the current environment.

## 4. Section III: Overall Questions

**6. Please provide overall views about whether ISA 540 (Revised) has achieved its intended purpose and the objectives of the IAASB in developing the revised standard.**

We believe that ISA 540 (Revised) has achieved its purpose and objectives. However some challenges still exist. This does not necessarily mean that the standard needs to be amended or increase in complexity. If the standard is revised, the aim should be to clarify and simplify, particularly in light of the interaction with ISA 315 (Revised). A number of the challenges identified are in relation to application of the standard rather than deficiencies in the principles and requirements of the standard.

**7. Are you aware of the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised)?**

Yes

**7A. Do you agree that the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised) are useful?**

3 – Agree

**Comments:** Practitioners find the extant guidance useful, however they would welcome additional guidance and case studies which feature how to apply the standard to more complex estimates, including how to assess complex valuations. As some time has elapsed since the extant guidance was issued, it would be useful for the IAASB to remind practitioners that the guidance is available. Guidance on how the standard is intended to be applied to estimates where the risk of materially misstatement is assessed as acceptably low or at the lower end of the spectrum of acceptable risk would also be useful.

**5. Section IV: Perceived Benefits from ISA 540 (Revised)**

**8. For each perceived benefit, indicate the extent to which you agree that ISA 540 (Revised) has led to benefits or improvements.**

	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) Enhanced exercise of professional skepticism when auditing accounting estimates.		X			
(b) Greater consideration of the skills and competencies of the engagement team, including the need to involve specialists or experts.			X		
(c) Greater attention to understanding management's process for making estimates, including the selection of methods, assumptions and data (and the consistency of selection between periods).		X			
(d) Better or more focused assessments of the risks of material misstatements for accounting estimates.		X			
(e) More focus on understanding and testing controls related to accounting estimates.		X			
(f) Increased auditor attention to disclosures related to accounting estimates, including disclosures about estimation uncertainty.		X			
(g) Enhanced interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates.		X			
(h) Enhanced quality of financial reporting related to accounting estimates.		X			

**8. For each perceived benefit, indicate the extent to which you agree that ISA 540 (Revised) has led to benefits or improvements.**

	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) Greater attention to understanding management's process for making estimates, including the selection of methods, assumptions and data (and the consistency of selection between periods).					
(b) More focus on understanding and testing controls related to accounting estimates.					
(c) Increased auditor attention to disclosures related to accounting estimates, including disclosures about estimation uncertainty.					
(d) Enhanced interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates.					
(e) Enhanced quality of financial reporting related to accounting estimates.					

**8. For each perceived benefit, indicate the extent to which you agree that ISA 540 (Revised) has led to benefits or improvements.**

	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) Enhanced interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates.					
(b) Enhanced quality of financial reporting related to accounting estimates.					

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

Yes

**Please specify:**

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.

**6. Section V: Potential Issues or Challenges Relating to ISA 540 (Revised)**

**10. ISA 540 (Revised) was designed to be capable of being applied to all accounting estimates, and for the nature, timing and extent of the risk assessment and further audit procedures to be varied in relation to the estimation uncertainty and the assessment of the risks of material misstatement. Indicate the extent to which you have experienced or are aware of**

any issues or challenges related to scalability and proportionality.

**10. ISA 540 (Revised) was designed to be capable of being applied to all accounting estimates, and for the nature, timing and extent of the risk assessment and further audit procedures to be varied in relation to the estimation uncertainty and the assessment of the risks of material misstatement. Indicate the extent to which you have observed or are aware of any issues or challenges related to scalability and proportionality.**

3 – Moderate Issues or Challenges

**11. Briefly describe these or any other issues or challenges you encountered related to scalability and proportionality.**

**11. Briefly describe these or any other issues or challenges you observed related to scalability and proportionality.**

There are challenges in applying the risk assessment approach at the assertion level for estimates when the spectrum of risk is at a more granular level (e.g. may be higher in cashflows but lower in the discount rate), but the method, assumptions and data may impact the same assertion. This is an area where more guidance may be useful. Practitioners would like to see more guidance covering complex estimates and have suggested case study formats would be useful.

We have also heard that the standard needs greater clarity in relation to how it is intended to be applied to estimates where the risk of material misstatement is assessed as acceptably low or at the lower end of the spectrum of acceptable risk. This is particularly important for SMEs and SMPs where estimates used by the entities are not necessarily complex.

The standard is intended to be scalable, but the feedback indicates that auditors may apply the same process for all estimates, regardless of the complexity and risk assessment. Guidance on scaling the requirements for estimates where the risk of material misstatement is low or at the lower end of the scale, would be welcomed.

**12. In your view, are the issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?**

Yes

**13. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?**

There are two areas where more guidance would be welcome.

- Guidance on scaling the requirements for estimates where the risk of material misstatement is low or at the lower end of the scale to assist practitioners to be able to differentiate the work effort required for simple estimates. If there is evidence that standard setting is required to address this issue, this could be achieved via narrow scope amendments.
- Additional examples on applying the standard to complex estimates, including how valuations should be addressed. Practitioners have expressed a desire for more complex real-life examples/case studies.

## **7. Section V: Potential Issues or Challenges Relating to ISA 540 (Revised) (continued)**

**14. Indicate the extent to which you have experienced or are aware of the following issues or challenges in applying ISA 540 (Revised) with respect the auditor exercising professional skepticism when auditing accounting estimates and related disclosures.**

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Appropriately challenging management's judgments used in making accounting estimates, particularly when they involve complex or subjective inputs.					
(b) Identifying and appropriately responding to potential indicators of management bias in the development of accounting estimates.					
(c) Appropriately considering all relevant audit evidence obtained, whether corroborative or contradictory.					

**14. Indicate the extent to which you have observed or are aware of the following issues or challenges relating to ISA 540 (Revised) with respect the auditor exercising professional skepticism when auditing accounting estimates and related disclosures.**

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Appropriately challenging management's judgments used in making accounting estimates, particularly when they involve complex or subjective inputs.			X		
(b) Identifying and appropriately responding to potential indicators of management bias in the development of accounting estimates.			X		
(c) Appropriately considering all relevant audit evidence obtained, whether corroborative or contradictory.			X		

**15. Briefly describe these or any other issues or challenges you encountered related to exercising professional skepticism.**

**15. Briefly describe these or any other issues or challenges you observed related to exercising professional skepticism.**

In general, we believe that the standard has helped practitioners to exercise professional scepticism including challenging management's judgements, considering potential biases and obtaining both corroborative and contradictory evidence.

However, the appropriate documentation of how the auditor has exercised this professional scepticism can be challenging. This is an area that has been noted by regulators. This is another area where case studies and examples would be useful to provide practitioners with clear examples of how these matters are documented.

**16. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?**

No

**17. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?**

Auditing accounting estimates has inherent challenges, including the need to challenge management judgements and consider the possibility of management's bias. However, we believe that standard already appropriately addresses these issues. Similar to our responses in questions 9 and 13, case studies that address real life complex examples and guidance would assist

auditors in the application of the standard.

## 8. Section V: Potential Issues or Challenges Relating to ISA 540 (Revised) (continued)

18. Indicate the extent to which you have experienced the following issues or challenges in applying ISA 540 (Revised) with respect to *risk assessment procedures and identifying and assessing the risks of material misstatement related to accounting estimates*.

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) The consideration of inherent risk factors and the interrelationship between them in identifying and assessing risks of material misstatement related to accounting estimates.					
(b) How the understanding of the entity and its environment, and the entity's internal control for accounting estimates, relates to the understanding required by ISA 315 (Revised 2019) (i.e., whether it is clear that the requirements in paragraph 13 of ISA 540 (Revised) relate specifically to accounting estimates and build on the broader requirements in ISA 315 (Revised 2019)).					
(c) Reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation (i.e., the retrospective review of accounting estimates).					
(d) Understanding management's process for making accounting estimates, including how management identifies and selects relevant methods, assumptions and data, and how management understands and addresses estimation uncertainty.					
(e) The separate assessments of inherent and control risk relating to an accounting estimate.					
(f) Whether any of the assessed risks of material misstatement are significant risks.					

18. Indicate the extent to which you have observed the following issues or challenges in applying ISA 540 (Revised) with respect to *risk assessment procedures and identifying and assessing the risks of material misstatement related to accounting estimates*.

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) The consideration of inherent risk factors and the interrelationship between them in identifying and assessing risks of material misstatement related to accounting estimates.			X		
(b) How the understanding of the entity and its environment, and the entity's internal control for accounting estimates, relates to the understanding required by ISA 315 (Revised 2019) (i.e., whether it is clear that the requirements in paragraph 13 of ISA 540 (Revised) relate specifically to accounting estimates and build on the broader requirements in ISA 315 (Revised 2019)).		X			
(c) Reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation (i.e., the retrospective review of accounting estimates).			X		
(d) Understanding management's process for making accounting estimates, including how management identifies and selects relevant methods, assumptions and data, and how management understands and addresses estimation uncertainty.			X		
(e) The separate assessments of inherent and control risk relating to an accounting estimate.				X	
(f) Whether any of the assessed risks of material misstatement are significant risks.				X	

**18A. Provide additional input, if any, about any issues or challenges regarding the interaction of ISA 540 (Revised) with ISA 315 (Revised 2019) in relation to risk assessment procedures and the identification and assessment of risks of material misstatement for accounting estimates.**

As ISA 540 builds on the requirements in ISA 315 it is important that the principles and requirements of these standards are integrated so that the procedures to be undertaken are not duplicated.

Currently the standards are not fully integrated which presents challenges, particularly in SME audits and estimates which are lower risk. These challenges can result in duplication of procedures and work effort.

Challenges exist where entities do not have appropriate controls in place for accounting estimates. This has been highlighted in relation to the use of a management's expert where the entity's management has limited understanding of the estimate and the controls are inadequate.

**18B. Indicate the extent to which you agree with the following statements with respect to reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation.**

	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) The retrospective review process is difficult due to changes in economic conditions or assumptions that make prior-period estimates less comparable.					
(b) The time and effort required to perform a retrospective review outweigh the perceived benefits for audit risk assessment.					

**19. Briefly describe these or any other issues or challenges you encountered related to risk assessment procedures and**

whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.

**19. Briefly describe these or any other issues or challenges you observed related to risk assessment procedures and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.**

While some practitioners are positive about the use of a retrospective review, there was also feedback that for some estimates, the value of a retrospective review is low compared to the time and effort required. This is an area where more scope for professional judgement may be required.

**20. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?**

Yes

**21. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?**

The board needs to consider the alignment/integration of ISA 540 and ISA 315 to see if ISA 540 can be streamlined, particularly for low risk estimates.

The board also needs to consider the impact of other projects currently undertaken such as the audit evidence and technology projects to determine how any standard setting changes that result from those projects impact ISA 540 before undertaking any revisions to ISA 540.

## **9. Section V: Potential Issues or Challenges Relating to ISA 540 (Revised) (continued)**

**22. Indicate the extent to which you have experienced the following issues or challenges in applying ISA 540 (Revised) with respect to *responding to the assessed risks of material misstatement***

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
<b>Responses to the Assessed Risks of Material Misstatement</b>					
(a) Determining the most appropriate response(s) to the assessed risks of material misstatement at the assertion level from among the testing approaches in paragraph 18 of ISA 540 (Revised).					
(b) Determining whether to test the operating effectiveness of controls related to an accounting estimate.					
(c) Appropriately applying the testing approach of obtaining audit evidence about events occurring up to the date of the auditor's report, either alone or with another testing approach(es).					
(d) Testing how management made the accounting estimate.					
(e) Developing an auditor's point estimate or range.					
<b>Overall Evaluation</b>					
(f) Determining whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.					
(g) Evaluating identified misstatements related to accounting estimates, including when the audit evidence supports a point estimate that differs from management's point estimate or a range that does not include management's point estimate, or when the auditor's range is wide (in some cases, multiples of materiality for the financial statements as a whole).					

**22. Indicate the extent to which you have observed the following issues or challenges in applying ISA 540 (Revised) with respect to *responding to the assessed risks of material misstatement***

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
<b>Responses to the Assessed Risks of Material Misstatement</b>					
(a) Determining the most appropriate response(s) to the assessed risks of material misstatement at the assertion			X		
(b) Determining whether to test the operating effectiveness of controls related to an accounting estimate.			X		
(c) Appropriately applying the testing approach of obtaining audit evidence about events occurring up to the date of the auditor's report, either alone or with another testing approach(es).				X	
(d) Testing how management made the accounting estimate.		X			
(e) Developing an auditor's point estimate or range.		X			
<b>Overall Evaluation</b>					
(f) Determining whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.				X	
(g) Evaluating identified misstatements related to accounting estimates, including when the audit evidence supports a point estimate that differs from management's point estimate or a range that does not include management's point estimate, or when the auditor's range is wide (in some cases, multiples of materiality for the financial statements as a whole).		X			

**22A. Indicate the extent to which you have experienced the following issues or challenges in applying ISA 540 (Revised) with respect to *testing how management made the accounting estimates*.**

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Testing management's selection of the method, significant assumptions, and data used, including whether management's judgments give rise to indicators of possible management bias.					
(b) Understanding management's application of the method involving complex modelling and testing complex models, including the integrity and completeness of the data used.					
(c) Whether management has taken appropriate steps to understand and address estimation uncertainty, including the selection of an appropriate point estimate and developing related disclosures about estimation uncertainty.					

**22A. Indicate the extent to which you have observed the following issues or challenges in applying ISA 540 (Revised) with respect to *testing how management made the accounting estimates*.**

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Testing management's selection of the method, significant assumptions, and data used, including whether management's judgments give rise to indicators of possible management bias.		X			
(b) Understanding management's application of the method involving complex modelling and testing complex models, including the integrity and completeness of the data used.		X			
(c) Whether management has taken appropriate steps to understand and address estimation uncertainty, including the selection of an appropriate point estimate and developing related disclosures about estimation uncertainty.			X		

**22B. Indicate the extent to which you have experienced the following issues or challenges in applying ISA 540 (Revised) with respect to *developing a point estimate or range*.**

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Determining when it may be appropriate to develop an auditor's point estimate or range.					
(b) Determining that the auditor's range includes only amounts that are supported by sufficient appropriate audit evidence and have been evaluated to be reasonable in the context of the measurement objectives and other requirements of the applicable financial reporting framework.					
(c) Maintaining objectivity and independence, for example, when material adjustments are made to management's point estimate based on the auditor's point estimate developed using a model or assumptions that were different from management's models and assumptions.					

**22B. Indicate the extent to which you have observed the following issues or challenges in applying ISA 540 (Revised) with respect to *developing a point estimate or range*.**

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Determining when it may be appropriate to develop an auditor's point estimate or range.		X			
(b) Determining that the auditor's range includes only amounts that are supported by sufficient appropriate audit evidence and have been evaluated to be reasonable in the context of the measurement objectives and other requirements of the applicable financial reporting framework.		X			
(c) Maintaining objectivity and independence, for example, when material adjustments are made to management's point estimate based on the auditor's point estimate developed using a model or assumptions that were different from management's models and assumptions.			X		

**23. Briefly describe these or any other issues or challenges you encountered related to responding to risks of material misstatement and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.**

**23. Briefly describe these or any other issues or challenges you observed related to responding to risks of material misstatement and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.**

As discussed in previous responses, there are challenges in determining the work effort to be applied for lower risk estimates. For higher risk/more complex estimates, the following challenges have been noted.

In relation to auditor's experts:

- Determining when an auditor's experts is required
- Determining the appropriate expert to use (for example in smaller jurisdictions or for highly specialised assets, where the pool of experts is limited and management have employed an expert).
- Clarifying the scope of the expert's work.

In relation to management's experts:

- Challenging the work of an expert in highly complex estimates, including where 'black box' methodologies or technologies are used in forming the estimate.

In relation to auditor's point estimates or ranges:

- Challenges in determining when it is appropriate for auditors to develop their own estimate or range
- Determining the expected level of precision, particularly where there are high levels of inherent uncertainty
- Lack of clarity on how differences between the auditor's point estimate and management's estimate should be resolved.

**24. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?**

Yes

**25. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?**

The examples provided in the standard are too simple. Practitioners may benefit from guidance and/or case studies based on real-life examples, of more complex estimates.

## 10. Section V: Potential Issues or Challenges Relating to ISA 540 (Revised) (continued)

**26. Indicate the extent to which you have experienced the following issues or challenges in applying ISA 540 (Revised)**

with respect to *communication, specialized skills or knowledge, including using the work of an auditor's expert, and documentation.*

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
<b>Communication</b> (a) Determining the matters, if any, to communicate related to accounting estimates, (including about significant qualitative aspects of the entity's accounting practices and significant deficiencies in internal control).					
<b>Specialized Skills or Knowledge, Including Using the Work of an Auditor's Expert</b> (b) Determining when it is appropriate to involve an auditor's expert(s) (an internal or external expert) and using the work of an auditor's expert(s) in auditing an accounting estimate(s).					
<b>Documentation</b> (c) Preparing appropriate audit documentation in accordance with the requirements in paragraph 39 of ISA 540 (Revised).					

26. Indicate the extent to which you have observed the following issues or challenges in applying ISA 540 (Revised) with respect to *communication, specialized skills or knowledge, including using the work of an auditor's expert, and documentation.*

	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
<b>Communication</b> (a) Determining the matters, if any, to communicate related to accounting estimates, (including about significant qualitative aspects of the entity's accounting practices and significant deficiencies in internal control).				X	
<b>Specialized Skills or Knowledge, Including Using the Work of an Auditor's Expert</b> (b) Determining when it is appropriate to involve an auditor's expert(s) (an internal or external expert) and using the work of an auditor's expert(s) in auditing an accounting estimate(s).	X				
<b>Documentation</b> (c) Preparing appropriate audit documentation in accordance with the requirements in paragraph 39 of ISA 540 (Revised).		X			

27. Briefly describe these or any other issues or challenges you encountered or observed related to communications, specialized skills or knowledge (including using the work of an auditor's expert) and documentation.

As stated in our response to question 23, the following challenges have been identified in relation to auditor's experts.

- Determining when an auditor's experts is required.
- Determining the appropriate expert to use (for example in smaller jurisdictions or for highly specialised assets, where the pool of experts is limited and management have employed an expert).
- Clarifying the scope of the expert's work.

Documenting how the work of experts is challenged and how professional scepticism has been exercised are the key areas identified in relation to documentation.

28. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or

**application material in the standard?**

Difficult to Determine

**29. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?**

Overall there are two aspects which may simplify the documentation in ISA 540.

- Clarifying the work effort required for estimates where the risk of material misstatement is assessed as acceptably low or at the lower end of the spectrum of acceptable risk.
- Ensuring that ISA 540 (Revised) and ISA 315 are integrated to avoid duplication of procedures and documentation.

In relation to the use of experts, this is another area where case studies and examples would be useful to provide practitioners with clear examples of how these matters are documented to demonstrate sufficient professional scepticism.

The board also needs to consider the impact of other projects currently undertaken such as the audit evidence and technology projects to determine how any standard setting changes that result from those projects impact ISA 540 before undertaking any revisions to ISA 540.

**11. Section V: Impacts of ISA 540 (Revised)**

**10. Since the effective date of ISA 540 (Revised), indicate the extent to which you agree with the following statements about specific impacts relating to the auditing of accounting estimates as part of the audit engagement.**

	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) There has been an increase in dialogue with the auditor and requests for additional documentation and evidence to support how we develop accounting estimates and related disclosures.					
(b) The interactions with the auditor about our process for making accounting estimates has led us to further challenge our approach to the selection of the method, assumptions and data used.					
(c) The interactions with the auditor about our process for making accounting estimates has led to further consideration about the disclosures related to accounting estimates, including disclosures about estimation uncertainty.					
(d) The interactions with the auditor related to accounting estimates has influenced our decisions about the need to involve a management's expert.					

**11. Describe your views about these or any other impacts you have observed or become aware of, related to the application of ISA 540 (Revised) by auditors.**

**12. What specific suggestions do you have for how the IAASB can best address any issues or challenges related to auditing accounting estimates (e.g., standard-setting, non-authoritative guidance, or other actions)?**

**12. Section V: Impacts of ISA 540 (Revised)**

**10. From your interactions with auditors or those charged with governance of entities, or from your analysis of entities' financial reporting, indicate the extent to which you agree with the following statements about specific impacts relating to the auditing of accounting estimates as part of the audit engagement.**

	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) The quality of the entity's disclosures in the financial statements related to accounting estimates has improved.					
(b) The communications in the auditor's report (e.g., Key Audit Matters related to accounting estimates) have improved in terms of describing the matter(s) and how the auditor has addressed the matter(s) in the audit.					
(c) Auditors are devoting appropriate attention to the entity's accounting estimates as part of the financial statement audit.					
(d) There is greater consistency in how audit firms approach the audit of accounting estimates since ISA 540 (Revised) has been effective.					

**11. Describe your views about these or any other impacts you have observed or become aware of, related to the application of ISA 540 (Revised) by auditors.**

**12. What specific suggestions do you have for how the IAASB can best address any issues or challenges related to auditing accounting estimates (e.g., standard-setting, non-authoritative guidance, or other actions)?**