15 June 2026

Willie Botha
Program & Senior Director
International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York, 10017

Our Ref: 2026/O/C1/IAASB/CM/495

Subject Line: International Auditing and Assurance Standards Board's Post Implementation Review of International Standard on Auditing (ISA) 540 (Revised), ***Auditing Accounting Estimates and Related Disclosures***

Dear Willie:

The International Organization of Securities Commissions' Committee on Issuer Accounting, Audit and Disclosure (IOSCO Committee 1) appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's (the IAASB or the Board) Post-Implementation Review of International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* Survey addressed to regulators. As an international organization of securities regulators representing the public interest, IOSCO is committed to enhancing the integrity of international markets through the promotion of high-quality accounting, auditing and professional standards, and other pronouncements and statements.

Members of IOSCO Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting, disclosure and auditing concerns, and pursuit of improved global financial reporting. Unless otherwise noted, the comments we have provided herein reflect a general consensus among the members of Committee 1. Our comments are not intended to include all of the comments that might be provided by individual securities members on behalf of their respective jurisdictions.

Overall Comments

We appreciate the IAASB's work to evaluate whether ISA 540 (Revised) has achieved its intended purpose through this post-implementation review. The review of both benefits and

practical challenges provide valuable insight into how effectively the standard is applied in audit practice.
IOSCO's Statement on High Quality Valuation Information in Financial Reporting (November 2025) highlights the need for auditors to perform sufficient procedures when evaluating accounting estimates and related disclosures, including fair value measurements. The statement also notes that certain IOSCO members have observed instances where disclosures related to accounting estimates, particularly fair value disclosures, lack a sufficient level of detail or disaggregation of information to be meaningful to users.

Further, the IFIAR 2025 Inspection Findings Survey Report[1] indicates that engagement-level inspection findings for listed public interest entity (PIE) audits continue to be prevalent in the area of accounting estimates (including fair value measures), representing findings in approximately 16-22% of audits inspected in the 5-years ended 2025. While this reflects improvement relative to the 5-year period ended 2020 prior to the adoption of ISA 540 (Revised) in the same IFIAR Report for 2020, we believe these findings demonstrate that auditors would benefit from additional guidance to support more consistent application of the standard.

Overall, we believe ISA 540 (Revised) introduced stronger requirements and clearer guidance for auditors to support robust audit procedures over accounting estimates and related disclosures, reinforced appropriate professional skepticism, promoted focused risks assessment, and enhanced communications between the auditor, management and those charged with governance.

Recommendations for Further Considerations

We observe a few areas in which we believe it would be beneficial for the IAASB to develop an appropriate response which could include standard setting, narrow-scope amendments or non-authoritative guidance, as necessary. These include the following:

- **A.** Addressing matters related to specific types of accounting estimates. Similar to the Board's existing illustrative examples on auditing property impairments, inventory valuations, and the allowance for loan losses using the expected credit loss method, we recommend developing additional material to address the following types of accounting estimates:
  - Recoverability assessments of deferred tax assets;

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[1] IFIAR, a membership organization of 56 independent audit regulators ("Members"), conducted its fourteenth annual survey of Members' inspection results and programs during 2025. IFIAR monitors general trends in survey findings over time since it began its annual survey practice, rather than seeking to evaluate year-over-year changes in aggregate results.

- Fair value estimates for financial instruments, investments in real and other property, business combinations; and
- Estimates that have specified measurement protocols in the relevant financial reporting framework such as insurance policy liabilities.

Consistent with the approach in the non-authoritative guidance issued during the COVID-19 period in 2020, we recommend new guidance how auditors should evaluate the impact from macroeconomic, geopolitical, other industry or company-specific conditions and events on accounting estimates, such as changes in risk-free interest rate and commodity prices.

B. Material to address the application of specific aspects of ISA 540 (Revised), including:

- Retrospective review of management estimates for purposes of risk assessment;
- Development of an auditor independent point estimate or range;
- Use of events subsequent to the balance sheet date and prior to audit report issuance date as substantive evidence;
- Evaluation of contradictory evidence**;**
- The identification and evaluation of significant assumptions in fair value accounting estimates, including when and how auditors should involve valuation experts.
- Adequate audit documentation on how auditors evaluate the appropriateness of the valuation expert's work as audit evidence, including how they assess the relevance and reasonableness of the significant assumptions and methods in fair value accounting estimates.

C. Material on disclosures of non-monetary amounts that may be subject to "estimation uncertainty" (e.g., those disclosed as a ratio, percent or other format) given the prevalence of such disclosures in the financial statements and current auditor inconsistent understanding whether to treat such figures as accounting estimates

D. Material detailing the audit procedures that should be performed over disclosures related to accounting estimates. We believe this will be useful since, as regulators of public securities markets, some IOSCO members continue to observe insufficient disclosure concerning accounting estimates such as boilerplate or generic disclosures, when the relevant accounting standard requires disclosure of specific quantitative assumptions and estimation uncertainty through entity-specific sensitivity analyses.

Thank you for the opportunity to comment on the ISA 540 (Revised) post-implementation survey. If you have any questions or would like to further discuss these matters, please contact Nigel James at phone +1 202-551-5300 (email: jamesn@sec.gov). In case of any written communication, please mark a copy to me (email: cmcinnis@osc.ca).

Sincerely,

Cameron McInnis, FCPA, CPA (Illinois)
Chair, Committee on Issuer Accounting, Audit and Disclosure
International Organization of Securities Commissions