

Mr. Tom Seidenstein
Chair of IAASB and Co-CEO of
International Foundation for Ethics
and Audit

Submitted online

Subject: Accountancy Europe accompanying letter to Post Implementation Review Survey ISA 540

Dear Mr. Seidenstein,

Accountancy Europe is pleased to provide its views in response to the IAASB's post-implementation review of ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures.

Overall, we consider that ISA 540 (Revised) has broadly achieved its intended objective of strengthening the audit of accounting estimates and enhancing audit quality. Feedback from our members indicates that the revised standard has contributed to improved risk assessment, greater focus on management's methods, assumptions and data. The revised standard has also contributed to more structured and formalised audit approaches.

At the same time, stakeholders identified a number of practical implementation challenges and areas where further support may be beneficial.

First, we believe there are challenges related to scalability and proportionality. While the standard appears to operate more effectively in the context of complex accounting estimates, certain requirements are perceived as disproportionate for simple or low-risk estimates where estimation uncertainty is limited. In some cases, auditors may perform procedures or documentation that provide limited additional audit value. Practical implementation challenges may differ depending on the applicable financial reporting framework, the industry sector and the complexity of the estimates involved. In certain sectors, practical difficulties also arise in obtaining experts with sufficiently independent or differing views to corroborate or challenge management's methods and assumptions, as auditors often rely on a limited pool of specialists.

Second, there are practical difficulties arising from the interaction between ISA 540 (Revised) and ISA 315 (Revised 2019), particularly in relation to risk assessment concepts and documentation processes. As ISA 540 (Revised) introduced certain concepts before they were later incorporated more broadly into ISA 315 (Revised 2019), some of our members observed overlap and duplication in practice. In our view, this overlap is one of the areas that the IAASB may wish to consider most closely, as it may be difficult to address through additional guidance alone.

Third, having reflected further on these matters, we observe that some of them, in particular the limited scalability for simple or low-risk estimates and the duplication with ISA 315 (Revised 2019), may be difficult to resolve fully through non-authoritative support alone. The IAASB should consider whether a more streamlined, clearer and proportionate approach, including a more straightforward path for simple estimates, could be achieved. Non-authoritative guidance, practical examples and

implementation support can play a valuable complementary role, but they cannot on their own resolve these underlying issues.

Further outreach and information gathering, including more detailed feedback and root cause analysis from inspection and oversight bodies, may help the IAASB better understand the practical difficulties encountered in applying ISA 540 (Revised). This could help distinguish issues arising from the requirements of the standard itself from those relating to implementation approaches, methodologies, software or training, and support more targeted actions going forward.

We thank you for the opportunity to comment on this important project. For further information on this letter, please don't hesitate to contact Endrin Bitraj at endrin@accountancyeurope.eu.



Eelco van der Enden

Chief Executive

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