

PIOB MONITORING OF COMMENT LETTERS BY MG & IFIAR MEMBERS and the CEAOB TO THE EXPOSURE DRAFT OF ISA 540
(August 2017)

#	Who made it	Group (MG member, Regulator, etc.)	Issue	Description of Main Issue/Comment	Final Status (Agreed, Disagreed, Not discussed)
ISA 540 - AUDITING ACCOUNTING ESTIMATES					
1	BCBS	MG member	BCBS would have preferred that the revisions focus on issues for audits of financial institutions arising from ECL frameworks	<p>- BSBS notes that from the outset of the project to revise ISA 540, the Committee requested the IAASB to focus the revisions on issues for audits of financial institutions arising from the adoption of ECL frameworks. However, the ED addresses all estimates and maintains that the audit requirements and guidance in the ED are relevant for all accounting estimates. BCBS would have preferred that the IAASB adopt the approach that was suggested, because it would have enabled to fully address in sufficient detail the audit challenges for the audit of ECL frameworks.</p> <p>- However, BCBS agrees that the ED will improve the requirements and guidance for the audit of complex accounting estimates (in general,)and for all types and sizes of entities, and supports those terms. Further, BCBS supports the improvements made to the standard for enhanced risk assessments (such as approaches to models and data; obtaining an understanding of regulatory factors; and additional internal control considerations), the application of professional skepticism, and the requirement for the auditor to “stand back” and evaluate the audit evidence obtained.</p> <p>- In the letter, the Committee provides views on key aspects of the ED (detailed below) that could be further enhanced to address the auditing of complex estimates in banks.</p>	
			The Flow Chart published with the ED should be included in the ISA	BCBS recommends that the flow chart be included in ISA 540, because it provides a strong and straightforward explanation of how the standard should be applied and clearly shows that, if an accounting estimate has complexity, management judgment or estimation uncertainty, the auditor must apply the E12 requirements in this ISA.	
			Finalize the standard expeditiously	BCBS strongly encourages the IAASB to finalize the standard expeditiously, with early adoption permitted, as it is important that auditors are able to apply the standard in the year that banks adopt an ECL accounting framework.	
			Additional guidance is needed to support the auditor's assessments of complexity, judgment, and estimation uncertainty	The ED includes many relevant examples of complex estimates, and examples of when accounting estimates are likely to have complex models. Many of these estimates are material to banks, such as ECL, fair value of financial instruments, and goodwill impairment. The complexity of these estimates is high because of the use of forward-looking information, complex models and externally developed models or data, amongst other factors. This increases estimation uncertainty, which consequently increases the risks of material misstatement for these estimates. Furthermore, changes to assumptions, models and data originating from management could add to estimation uncertainty. Given the inherent challenges that these particular areas bring for management (in developing the estimate) and auditors (in gathering sufficient appropriate audit evidence), ISA 540 would benefit from additional guidance.	

			<p>The guidance for auditor's assessment when model complexity exists should be expanded</p>	<p>- In relation to complex methods (or models), paragraph 17 of the ED requires auditors to verify whether the calculations are mathematically accurate and appropriately applied. The guidance should be further expanded beyond mathematical accuracy to sufficiently address the risks of material misstatement due to model complexity. For example, paragraph A106 should be further expanded to indicate that the auditor's approach to the testing of models could vary depending on the assessed risk of material misstatement. The approach could range from a simple model review for accounting estimates with low inherent risk, to auditing the performance of the model or independently developing an estimate based on the auditors' own assumptions and/or model (when, in the auditor's judgment, it is necessary and possible) for estimates where inherent risk is not low.</p> <p>- However, BCBS emphasizes that given the nature of complex internal models within banks, it could prove to be very difficult for an auditor to independently develop their own model for ECL estimates. In that situation, the auditor should put emphasis on assessing the appropriateness of internal processes, including assumptions, controls and the reasonableness of management's ranges and point estimates, as well as the model's theoretical soundness and mathematical integrity.</p> <p>- The Application Material should be expanded to include criteria for auditors in their consideration of the appropriate use of a particular approach</p>	
			<p>Additional guidance should be developed to support auditor's assessment of management's use of forward-looking information</p>	<p>Auditing forward-looking information is arguably one of the more challenging aspects of an audit and the ED provides little guidance in this area. BCBS strongly recommends that additional guidance be developed for this complex area. This would be helpful, not only for complex estimates in banks, but also for many of the estimates that are within the scope of ISA 540. With reference to banks, this guidance would be relevant to the auditor's assessment of ECL accounting estimates, where there is high subjectivity, for example in management's choice of scenarios (which incorporate forward-looking information) and the related probability weights selected</p>	
			<p>ISA 540 would be expanded to provide guidance on the auditor's responsibility for evaluating the point in a range of estimates chosen by management</p>	<p>For example, expanded to include an auditor's assessment of where management's point estimate falls within the range, whether there is a tendency to choose a point at either end of the range (e.g. the low end) and the determination of the appropriateness of management's choices within the accounting framework. This additional guidance would be helpful for the auditor's evaluation of potential management bias. Also, in cases where management has not reasonably considered alternative methods, sources of data and assumptions, auditors should be required to consider the need to obtain written representations from management on the reasonableness of its chosen methods, data sources and assumptions. Mere discussions with management (as stated in would not be sufficient to address the risks of material misstatement.</p>	
			<p>Stronger references needed in ISA 540 for auditors assessment of third-party models or data</p>	<p>For some estimates, banks, like other entities, may rely on externally sourced third-party models or data. Given the are inherent challenges in auditing externally sourced models or data, and that models and data could have a significant impact on an estimate's outcome, auditors should design and perform audit procedures responsive to risks around third-party systems and processes. In BCBS's view, auditors' responsibilities go beyond in-house data and models to externally provided models or data, for which the Committee recommends a stronger link to ISA 500, Audit Evidence, be made in ISA 540, and provides a few examples for this.</p>	

			Factors included in application material should be moved to requirements	BCBS recommends that the content of paragraph A78 (about 3 other relevant factors that the auditor may consider in identifying and assessing the risks of material misstatement: a change in the nature or circumstances of the relevant financial statement items, or requirements of the applicable financial reporting framework; the susceptibility of the accounting estimate to the risks of a material misstatement due to fraud; and the regulatory environment, including relevant regulatory requirements) be included in the requirements of the ISA (paragraph 13), to require auditors to consider the factors in A78 when assessing risks of material misstatements.	
			Communicating misstatements to management	Misstatements identified during the course of the audit of an accounting estimate should be communicated to, and corrected by, management as soon as possible (sufficiently in advance of the closure of the audit process). Timely communication of misstatements is especially important within banks, because correcting misstatements may involve modifying highly complex models (or model inputs) and updating significant management judgments.	
			Application guidance should be moved to the level of requirements	Application guidance in paragraphs A142 to A146 (which support the auditor's evaluation on whether the accounting estimates and related disclosures are reasonable, based on the procedures performed) is fundamental, and need to be moved to the level of requirements.	
				Also, paragraphs A142–A146 of ISA 540 should be enhanced by referencing ISA 450 (paragraphs 10 and 13), and by providing guidance on how to evaluate the effect of uncorrected misstatements on the financial statements when judgments are involved. Currently there is guidance when the auditor is expected to develop a range of possible outcomes as a basis of comparison with management's range or point estimate; but there is no guidance when it is not possible for auditors to develop an independent range as a basis of comparison for complex estimates, such as ECL.	
			Improvements needed on Internal Controls provisions	For banks, a robust internal control environment is critical to the strength of an entity's governance system, its ability to manage risk, and the fair presentation of its financial statements, including the related disclosures. BCBS supports the application material in A48 to A60 related to understanding the internal controls over estimates, but recommends including references to additional paragraphs in ISA 315 (e.g.; examples of matters auditors should consider when obtaining an understanding) in ISA 540. This will allow auditors to better identify the extent of the ISA 315 requirements relevant to risk assessment procedures and to obtaining an understanding of the entity and its environment, including its internal controls. Obtaining an understanding of internal controls is critical for the audit of most estimates. The standard needs examples of matters the auditor should consider when obtaining an understanding of the internal control framework, to reinforce how auditors can meet the requirements, including emphasizing that obtaining an understanding solely through management inquiry is insufficient. The Committee also suggests edits and additions to specific paragraphs in ISA 540 to emphasize and clarify the need for the auditor to understand internal controls.	
			Improvements needed on Internal Controls provisions	BCBS urges the revision of the standard to clearly state (e.g., in paragraph 16) the auditor's responsibility to evaluate the design and operating effectiveness of internal controls, for processes that make extensive use of information technology and have a large number of estimates that are highly judgmental, and complex or subject to high estimation uncertainty, like the ECL estimates. BCBS provides suggested text to reword paragraph 16. The Committee suggests incorporating a new requirement for auditors to obtain written representations from management acknowledging management's responsibility for establishing and maintaining effective internal controls over financial reporting	

			Improvements needed on Internal Controls provisions	BCBS recommends addressing in ISA 540 the timing of communicating internal controls deficiencies to management and TCWG, as this will provide an opportunity for a bank's management to take steps to remediate the control deficiencies and correct any resulting misstatements on a timely basis.	
			Strengthening provisions on Professional Skepticism: exercising professional skepticism throughout the entire audit process	BCBS supports the provisions in the ED (paragraph 5) that reinforce the auditor's application of professional skepticism and consideration of the potential for management bias, and recommends that additional language be included in the final standard to further emphasize the importance of auditors exercising professional skepticism throughout the entire audit process. For example, the standard should state that, in responding to the assessed risks of material misstatement for accounting estimates that involve complexity, management judgment or estimation uncertainty, such as ECL, auditors should challenge management's assumptions and question management's evidence on an ongoing basis during the normal course of the audit and appropriately document this process in the auditor's work papers.	
			Strengthening provisions on Professional Skepticism: assessing sufficiency of professional skepticism	The Committee recommends that the "stand-back" test in ISA 540 also requires the auditor to perform an overall assessment of whether a sufficient level of professional skepticism has been applied by the auditor. This is particularly relevant to areas when the determination of an accounting estimate requires significant management judgment and is therefore more susceptible to management bias.	
			Strengthening provisions on Professional Skepticism: demonstrating the exercise of professional skepticism	The Committee agrees, e.g. in paragraph A85, that when the accounting estimates are subject to a high degree of management judgment, the estimate is inherently more susceptible to management bias, particularly when this judgment involves greater subjectivity. But this statement should be further strengthened by including concrete examples of how auditors could demonstrate the application of professional skepticism in these instances; or how auditors could form their own independent views on certain data or management assumptions and on how they could challenge management's assumptions. This would be particularly useful for estimates that require management to form a view of the future, which is inherently complex and subject to significant judgment.	
			Work of the PS Working Group	BCBS strongly encourages that the work of the PS Working Group continues as a priority, as it represents an opportunity to now develop recommendations on how to more effectively respond to issues related to professional skepticism. Nevertheless, to support the timely issuance of ISA 540, the Committee recommends that the specific requirements on professional skepticism recommended above be included in ISA 540. If the PSWG identifies further enhancements, these may be added later to the appropriate ISAs.	
			Audit disclosures: consolidate guidance in ISA 540 in one single place	It is essential that the auditor's evaluation of management's disclosures, as required by ISA 540, be thorough enough to ensure that the disclosures help users to understand the nature and magnitude of the uncertainty affecting the estimates, the degree of complexity and the types of judgment made. BCBS is concerned that references to audit considerations on disclosure are dispersed throughout the requirements and application material of ISA 540, because this reduces the cohesiveness and understandability of the guidance and could undermine the importance attached to the auditor's responsibilities for disclosures. As such, the Committee recommends that the IAASB brings the guidance together in one place. If this is not possible, to increase the cross references between the paragraphs.	
			Audit disclosures: elevate guidance to the level of requirements	Paragraphs A2 and A123 to A125 include important considerations on disclosures, and would be included in the requirements.	

2	IAIS	MG member	Overall support	Overall, the IAIS believes the revisions will improve the guidance and requirements for the audits of accounting estimates, including estimates of insurance contract liabilities, and that it is an important step on the right direction.	
			Generic nature of the ED of ISA 540	The IAIS notes that the generic and principles-based nature of the ED of ISA 540 does not allow for more detailed consideration of important aspects of the typically significant and complex estimates of insurance contract liabilities estimates made by insurance companies. More detailed guidance on particular insurance specificities would provide auditors with more clarity on the application of ISA 540, and a stronger foundation for assessing auditor's compliance with its principles-based requirements.	
			Need for more detailed application material on the audit of insurance contract liabilities	Due to the unfortunate release timing of IFRS 17, Insurance Contracts, it could not be fully assessed during the development of the ED of ISA 540. Accordingly, there may be a need for some further considerations. The IAIS strongly encourages the IAASB to consider on a priority basis further developing application or guidance material (e.g., through an IAPN) to address considerations around auditing insurance contract liabilities	
			Professional Skepticism: add a requirement in ISA 540 for auditors to document the basis for not using an expert	There are useful considerations in the ED of ISA 540 for reinforcing the application of professional skepticism, e.g., indicators of management bias; a "stand back" assessment provision; and that all relevant audit evidence obtained, whether corroborative or contradictory, needs to be considered. In addition, the importance of specialized skills or knowledge to properly assess some accounting estimates is relatively well covered. It would be useful, in paragraph 27, to require auditors to document the basis for not requiring the use of an expert when the inherent risk of material misstatements with an accounting estimate is not low, as the IAIS expects would often be the case for accounting estimates of insurance contract liabilities.	
			Professional Skepticism: Further emphasis on challenging management's assumptions should be included	ISA 540 could include more emphasis around auditors "challenging" the consistency of management assumptions, as this is a concrete application of professional skepticism. While not precluding further emphasis on other areas, for example that auditors should demonstrate professional skepticism in all stages of an audit, the IAIS suggests that further emphasis on challenging management's assumptions would be included in the guidance material related to an auditor's response when the risks of material misstatements are not low due to the extent of judgment applied, and when assessing management bias. In particular, the IAIS suggests strengthening the auditor's role in assessing the consistency of management's assumptions within an entity and in comparison to relevant and objective information and market data.	
			More could be done to support the application of Professional Skepticism	More could be done, outside of ISA 540, to support the application of professional skepticism. This includes more at the standard setting level, such as reinforcing the definition in ISA 200 to make it less "neutral" and introduce a concept of a questioning mind that would tend to exhibit a more doubting attitude.	
			Expand guidance around third-party models	The guidance around third-party model considerations (paragraph A104) should be expanded, given the additional risks that management may not be fully aware of, and/or may not have complete documentation related to the model's limitations and features.	
			Stronger link for categories of risks	The IAIS suggests, and provides some drafting options, that a stronger link could be established between the categories of an inherent risk that is "not low" and significant risk, specially as the auditor is required to meet certain requirements under other ISAs when the risk identified is "significant".	

			Provisions related to estimation uncertainty could be better worded	ISA 540 could be better worded in certain areas discussing estimation uncertainty, to ensure the focus is on the extent of the uncertainty, not merely on its existence. Wording can be added to paragraph 19 to ensure the focus is properly on the extent of the uncertainty.	
			Potential for confusion around key words used in the ISA	The IAIS is concerned with the potential for confusion around the use of particular key words in multiple contexts of the ED, and recommends that they be revisited to increase clarity: for example, "reasonable" in some paragraphs means to indicate that all relevant requirements of the applicable financial reporting framework have been applied appropriately; which is different from the meaning of "reasonable assurance" and of "appropriate". The nuances being applied to these words can create confusion. The IAASB should ensure that the definitions are consistently applied (e.g., the use of the term "reasonable" in paragraph A124 does not appear to be consistent with its definition in A2).	
			Further guidance is needed to support auditor's development of ranges	The IAIS suggests that further application material and more examples on ranges are needed in the requirements part of ISA 540, in particular for audits of financial institutions. It would be also useful to highlight (e.g., in paragraph A131), that when the auditor uses management's model to develop a point estimate or range, the auditor first needs to obtain sufficient and appropriate evidence that the internal controls associated with the model are operating effectively.	
			An additional requirement is needed on the reliability and credibility of the external information source	The proposed new material in ISA 500, regarding external information sources, should include a requirement that the reliability and credibility of the external information source be assessed, particularly when the information source is not widely used. Data from external information sources is a growing area, as entities are increasingly engaging in complex investments, hedging, financing and other activities, using data from external sources to support the determination and validation of their estimates.	
			Introduction of revised ISA 540 as soon as possible, but allowing some transition time	The IAIS welcomes the introduction of the revised ISA 540 as soon as possible, noting that it provides a more relevant basis for the audits of accounting estimates made under IFRS 9, which will become mandatory in January 2018. However, it cautions the IAASB to allow some time for jurisdictions and firms to transition to a substantially revised ISA 540. The IAIS supports the standard becoming effective 18 months after the approval of the final ISA, with earlier application permitted or encouraged.	
3	IFIAR	MG member	The most pervasive inspection finding within audit work relates to the audit of accounting estimates	IFIAR notes that auditing accounting estimates is an area of recurring inspection findings across jurisdictions. The recent IFIAR inspection survey continues to indicate that the most pervasive inspection finding within engagement performance relates to the audit of accounting estimates. The survey findings point to difficulty auditors face when assessing the reasonableness of assumptions, performing sufficient risk assessment procedures, testing the accuracy of data used, or taking relevant variables into account in the audit of accounting estimates.	
			Proposals in the ED are generally in the right direction	IFIAR believes that the proposals in the ED are a step in the right direction and can help drive better audit quality by requiring auditors to perform risk assessment procedures specifically addressing factors relevant to accounting estimates (complexity, judgment and estimation uncertainty and their related inherent risks). This should lead to a more effective audit response, specifically in the case of complex estimates.	

			<p>Support for the emphasis on risk assessments by auditors. Further clarifications & a new requirement to document low inherent risk estimates are needed</p>	<p>IFIAR supports the emphasis in the ED on the importance of risk assessments by auditors, and the move away from the concept that additional procedures would be performed only in the event of a significant risk. IFIAR supports this approach and believes it is likely to lead to a more appropriate audit response being developed, even if further clarifications would be helpful in this regard, such as:</p> <ul style="list-style-type: none"> - The relationship, if any, between the different types of risk factors and the risk levels used in the ED should be further explained in the standard. E.g., estimates can only be assessed as low inherent risk where none of the risk factors are relevant or whether another basis for concluding on low inherent risks is appropriate. - Further align and revise provisions in ISA 315, dealing with risk assessment, to ensure a proper understanding of how to assess low inherent, non-low inherent and significant risks in order to ensure consistency in application by auditors. - Further clarification on whether inherent risk and control risk are to be assessed separately or in combination, as this could lead to a different response in terms of work effort . <p>For IFIAR, the ED should require that the auditor documents the risk assessment determination of low inherent risk estimates.</p>	
			<p>Support for testing internal controls</p>	<p>IFIAR supports the need to test internal controls when the auditor intends to rely on them or when substantive procedures alone cannot provide sufficient appropriate audit evidence. This will raise auditor's awareness of the requirement to consider the internal controls in designing an audit response.</p>	
			<p>Support to considerations around evidence, including contradictory evidence</p>	<p>IFIAR supports the need to consider all evidence obtained, including contradictory evidence, and the reasonableness of any significant variations between or within management's estimate or range and those developed by the auditor.</p>	
				<p>An auditor's range or a point estimate (to the extent possible) are only required in the ED if the auditor believes that management has not appropriately understood or addressed the estimation uncertainty. For IFIAR this creates a high bar for this requirement and inhibits professional skepticism as the auditor's estimate or range provides a valuable means for challenging management's estimate. IFIAR supports the inclusion of guidance on this, as they consider it relevant to promoting the exercise of appropriate professional skepticism by the auditor. Further, IFIAR recommends including further requirements in the ED in this regard.</p>	
			<p>Inconsistent use of terminology</p>	<p>The ED refers to accounting estimates and related disclosures "reasonable" in the context of the applicable financial reporting framework. However, ISA 700 uses the terms "appropriate" and "adequate", not "reasonable", in relation to disclosures. IFIAR is concerned about how the inconsistencies in terminology would be applied in practice and encourages the IAASB to give further consideration to this matter.</p>	
			<p>Clarifying conforming amendments</p>	<p>Given the frequency in which companies use experts to assist in developing accounting estimates and the focus of the ED on evaluating management's process, selection and judgments, IFIAR would expect more emphasis on the fact that the auditor should apply the requirements of ISA 540 when management's assumptions are developed by management or, alike, when they are developed by an expert employed or engaged by management. IFIAR would like clarification of this in the standard.</p>	
			<p>Questioning attitude should be further required in ISA 540</p>	<p>Guidance included in paragraph A101 should help drive a more skeptical auditor mind-set. However, it is not clear to IFIAR why this consideration applies only to the 'complexity' risk factor and why this questioning attitude should not be further required by the ED.</p>	

			Post-implementation review following the revision of ISA 540	IFIAR encourages the IAASB to, following the completion of this project, conduct a post-implementation review to assess whether the changes to ISA 540 have achieved the desired effects.	
4	IOSCO	MG Member	Support for the IAASB's efforts but disappointment with key issues not addressed in the ED	IOSCO supports the IAASB's efforts to improve the requirements and guidance in ISA 540, and provides comments on aspects where the standard could be improved. Though, IOSCO expresses disappointment with key issues not addressed in the ED, and believes that it is important that the matters included in their comment letter are addressed in the final standard. If the IAASB chooses to proceed with a standard without dealing with these key matters, the Board should give priority to follow up projects to address these matters, detailed below: - Sampling, identification of differences to investigate and evaluate errors; Use of the auditor's own expert; and - Specific guidance on financial instruments valuation and related areas. At a minimum, it is important that all other matters in IOSCO's letter, detailed below, should be addressed in the final standard.	
			Disagreement with the approach in the ED related to responses to the assessed risk of material misstatement	According to paragraphs 14-20 require different testing objectives to be applied based on the assessed level of inherent risk: when the inherent risk is assessed as "low" the auditor's response follows paragraph 15a, and when it is assessed as "not low", paragraph 15b. Contrary to the approach in the ED, IOSCO believes that a single set of testing objectives should apply in all cases, irrespective of the assessment of risk or the classification of risk by complexity, judgment and estimation uncertainty . Instead, the nature, timing and extent of the procedures required to be designed and performed by the auditor should differ based on the risk assessment as "low" or "not low", and the reasons for that assessment. Even if the IAASB were to retain its current approach, which IOSCO does not support, the Board should consider whether paragraphs 14-20 may be overly complex, unclear, and consequently could result in inconsistent application by auditors.	
				For example, the appropriateness of the valuation methods and estimations, the relevance and reliability of data, and the accuracy of calculations (paragraph 17) all appear to be applicable matters whether inherent risk is "low" or "not low". The assessed risk should only affect the nature, timing and extent of the procedures to be applied by the auditor, not the testing objectives. The testing objectives in paragraphs 15 and 17-20 should be included in a single list that applies irrespective of the assessed inherent risk. This may necessitate reviewing those testing objectives and, for example, removing duplication and addressing overlaps.	
			"Low" versus "Not Low" inherent risk	ISA 200 defines the term "inherent risk" and states that the ISAs do not ordinarily refer to inherent risk and control risk separately. Inherent risk is a component of the auditor's assessment of the risk of material misstatement. IOSCO notes that while it may be a matter for the project on ISA 315, they believe the auditor should be required to consider and assess inherent risk and control risk separately. The significant focus in the ED on inherent risk assessment, including in the determination of the auditor's further procedures based on the auditor's conclusions about the inherent risk is a new approach under the ISAs for requiring auditor's responses to risk. This combined with the fact that the concepts of "low" and "not low" inherent risk are new and not defined and explained in the ED, could lead to inconsistent audit approaches.	

			Responding to inherent risk that is "low": the IAASB should consider clarifying requirements on audit procedures and providing additional guidance	Paragraph 15a requires auditors to evaluate whether 1 or more of 3 audit procedures (obtaining evidence about events occurring up to the date of the auditor's report; testing how management the accounting estimate and the date on which is based; and developing a point estimate or a range estimate based on available audit evidence to evaluate management's estimate), which is consistent with material in the extant ISA 540. However, IOSCO is concerned by the lack of more detailed requirements or guidance on these 3 audit procedures. In particular, the ED does not retain application guidance in the extant ISA (paragraphs A59 to A95). This may result in not being sufficiently clear what procedures the auditor is required to perform, which could result in inconsistent or potentially inappropriate audit execution.	
				The IAASB should consider clarifying the requirements for the 3 audit procedures, as well as providing further guidance to auditors regarding the execution of those procedures.	
			Responding to inherent risk that is "not low": the lack of definitions of "low" and "not low", plus the difference in the procedures based on them, may be an incentive for auditors' inappropriate risk assessments	Furthermore, the lack of definitions of "low" and "not low" risk, combined with the significant difference between the nature and extent of the further audit procedures required to achieve the testing objectives in 15(a) and 15(b), might create an incentive for auditors to inappropriately assess the inherent risk as "low" to avoid the burdens of the requirements in 17-20, while claiming the protection of "professional judgment" for their risk assessments conclusions.	
				IOSCO notes that is not clear in the ED whether the 3 procedures in paragraph 15(a) would also be available when auditors respond to inherent risk that is "not low". IOSCO is concerned about limiting the auditor's ability to select the most effective audit approach. There may be situations when the procedures listed in 15(a), or a combination thereof, might be more effective in obtaining sufficient audit evidence, for example, when the outcome of an estimation is know based on an event or transaction that occurred prior to the date of the auditor's report. If it is not the Board's intent to restrict the procedures the auditor can perform, this should be made clear in the ISA.	
			Problems with the ED approach in relation to the factors of complexity, judgment and estimation uncertainty	Paragraphs 17 to 19 would require the auditor to determine which of complexity, judgment and estimation uncertainty give rise to inherent risk being "not low" and then apply the testing objectives under each. IOSCO believe that the 3 factors are often sufficiently not separable to guide an effective audit response. The 3 would represent relevant considerations for most (if not all) accounting estimates, including estimates with a "low" inherent risk. However, the ED separates them into 3 distinct categories. IOSCO provides several examples to illustrate the lack of clarity as to why certain testing objectives were considered relevant to one but not the other reasons for the auditor's risk assessment.	
				As a result of the difficulty in distinguishing between "complexity", "judgment" and "estimate uncertainty", there is a risk that auditors may default to responding to only some of the reasons for the assessment given to the risk of material misstatement. Due to the segregated nature of the testing objectives in paragraphs 17 to 20, auditors might omit certain testing objectives that are still important for the ultimate audit conclusion.	
				Alternatively, given the difficulties, auditors may default to addressing all of the testing objectives in 17 to 20.	
				The IAASB should consider whether all (or a subset) of the testing objectives should be required for all accounting estimates, irrespective of the reason for the assessment of their inherent risks as "low" or "not low", and whether the auditor places reliance on controls.	

				While IOSCO does not support the approach in the ED of only applying the testing objectives based on which of "complexity", "judgment", or "estimation uncertainty" gives raise to an assessment that risk is "not low", if such approach is adopted in the final ISA 540 the following should be made clear: whether the testing objectives under "estimation uncertainty" should always apply regardless of whether inherent risk is "low" or "not low"; and the distinction between the 3 factors.	
			Objective based requirements	IOSCO is concerned that the lack of specificity as to the nature and extent of the further audit procedures that the auditor should perform or consider performing under paragraphs 17 to 20, might lead to inconsistent audit approaches and an inability of regulators to enforce high-quality audits. IOSCO asks the IAASB to consider providing further requirements for the audit procedures that auditors should perform or consider performing to achieve the testing objectives in 17 to 20.	
			Sampling, identification of differences to investigate and evaluating errors: Methodological issues not addressed in the ED	IOSCO is concerned that the ED does not address key methodological issues in testing estimates such as values of financial instruments. The Board should give priority to a project to develop additional guidance in this area. While some of the issues may be relevant to a project on data analytics, they should not be delayed pending such a project.	
				ISA 530, Audit Sampling, does not provide sufficient requirements or guidance to address those matters.	
				For example, in relation to setting point estimates or ranges, the guidance in A16 on determining which differences do not require investigation is too general and is not sufficient to promote sufficient application by auditors. Also, auditors may be ascertain as to how to extrapolate and evaluate errors. If these matters are not dealt with in the revised ISA 540, they should be given high priority in a separate project.	
			Reasonable ranges	The term "reasonable" is used throughout the ED. While paragraph A2 describes the concept of "reasonable", it is subjective and general in nature. The Board should provide more guidance to facilitate practical application of the term. E.g., remind auditors to exercise their professional skepticism in developing a reasonable range, and not to set a too wide range when auditing management's estimates.	
				Guidance (paragraphs A128 to A134) is not sufficient. The IAASB needs to provide clear guidance on how to: set a reasonable range in testing management's estimates; how to evaluate the variance between the auditor's point estimate or range and management's accounting estimate, and highlight the importance of investigating the underlying root cause; identification and evaluation of errors.	
			Evidence to support estimates and disclosures	To the extent the auditor is unable to obtain sufficient appropriate evidence, there should be guidance in the standard on potential impacts on the auditor's opinion and on whether to reporting to TCWG.	
			Definition on Information sources needs clarification	A proposed amendment to ISA 500 includes a definition of an external information source, which refers to an individual or organization that provides "publicly available information". This term is not clear, as it could mean information available to the general public and/ or information that is not available to the general public but is nevertheless provided in a uniformed manner to interested users, for instance, on a subscription basis. The IAASS shall consider clarifying the definition.	
				The Board should clarify its expectations regarding criteria for evaluating information provided by external sources, e.g., whether it will be evaluated only for its relevance and reliability, while accuracy and completeness would be an appropriate criteria for information generated by the entity.	

			More guidance is needed on management experts and third party pricing providers	Due to increasing complexity in products and models (e.g.; financial instruments) management often uses external experts or third party pricing providers. The IAASB's proposed amendments to ISA 500 will not provide sufficient guidance in these areas. This would help clarify how the objectives and audit procedures would be similar or different from those in paragraphs 17 to 20.	
			Use of an auditor's own expert	Some of IOSCO's members believe that the revised ISA 540, and revised ISA 500, should be clarified to state that auditors cannot rely on the work of management's experts and must perform sufficient audit testing on that work. Otherwise, the expert would be playing a significant role in preparing information in the financial reports with no independent assurance by the auditor. If the audit team has not sufficient experience or expertise, it should consider engaging their own internal or external expert. These members are concerned that there are instances when auditors are of the view that the existing standards do not require audit work other than seeing that the expert has the appropriate qualifications and/or experience. For these members, auditors should not abrogate responsibility and rely on the work of management's expert, and have to perform sufficient audit testing. ISA 620, Using the Work of an Auditor's Expert", should be revised to provide further guidance.	
				A second group of IOSCO's members believe that the auditor can rely on the work of management's experts, including when they developed the accounting estimates. However, auditors should still perform some audit testing on that work and not adopt a full reliance approach.	
			Specific guidance on financial instruments valuation and related areas	The project to revise ISA 540 was originally intended to result in guidance on auditing financial instrument values and loan loss provisioning under the ECL model. While there is some guidance in the proposed amendments to ISA 500, the ED does not contain specific requirements or guidance in these areas.	
				IOSCO believes it is important to provide specific guidance in those areas, and encourages the IAASB to provide supplemental guidance as a high priority after the released of the revised ISA 540.	
			Specific guidance on Professional Skepticism is needed	While there are requirements concerning professional skepticism in ISA 200, there is a lack of specific guidance on what constitutes "professional skepticism", and specific application material, related to auditing accounting estimates. IOSCO encourages the IAASB to include greater guidance in these areas throughout ISA 540.	
			The Stand Back provision should also apply always, whether risk is "not low" or "low"	The "stand back provision" in paragraph 22 only refer to situations where risk has been assessed as "not low". For IOSCO, this provision should apply whether risk is assessed as "not low" or "low". For example, it is also important to review whether the risk assessment remains appropriate when the assessment was "low", given that the nature and extent of work may have been insufficient.	
				The provision should also require the auditor to reassess the appropriateness of any reliance on controls, and the effect of any changed assessment on the nature, timing and extent of audit procedures. Paragraph 23, on "corroborative or contradictory" evidence should be amended to focus on whether the auditor has exercised sufficient professional skepticism.	
			Documentation	ISA 540 should specifically require documentation of the process for assessing and classifying inherent risk as "low" or "not low"; the reasons for such classification and the auditor's responses to the assessed risks.	

				Further, when the accounting estimates involves the use of complex models, the auditor should retain a copy of management's model and any model prepared by the auditor, in a readily reviewable format, to enable another experienced auditor having no previous connection with the audit to understand the model and how it works, the work performed and the conclusions reached.	
			Definitions	The IAASB should further clarify the definitions of "accounting estimate", "fair presentation framework" and "compliance framework"	
5	UK FRC	IFIAR Member	Support for the Proposals	The FRC supports proposals in the ED, which the FRC want to be retained in the final ISA, including: not attempting to address in the standard specific accounting requirements at a detailed level; the inclusion of requirements and application material on professional skepticism; introducing requirements regarding risk factors of "complexity" and "judgment", in addition to estimation uncertainty, when auditors perform risk assessment procedures and design responses to address those risks; using the term "reasonable" to both the estimation and disclosures, provided its meaning is clear in the standard; the new requirements to remind auditors their responsibilities to communicate certain matters to TCWVG; improvements on "auditor's range"; that the standard should be applicable to all estimates with "scalability" to address less risky estimates; the emphasis in determining whether specialized skills or knowledge are required; among others.	
			More guidance is needed to help auditors design procedures	<p>- The application material has been enhanced from extant ISA 540, but -understandably given the wide range of estimates the standard will apply to- provides relatively little specific guidance to help design procedures to address particular circumstances. For instance, there are a number of references to ECL in the application material of the ED, but they just provide examples of estimates that may have high complexity, judgment and estimation uncertainty.</p> <p>As a matter of practicality, the ISA needs to be generic. Nevertheless, there is a need for separate guidance to help apply the standard to different types of complex estimates. Attachment 1 to the ISA helps explain the underlying concepts, for example, but there is a need for specific guidance to assist in the application of the revised standard. In this sense, the FRC supports the development of an IAPN, as mentioned in the IAASB's 2017-2018 Work Program, although the lack of an authoritative status may be an issue for some regulators. Specific areas that could be covered by the guidance include estimates of ECL under IFRS 9; and new accounting standards covering leases (IFRS 16), revenue recognition (IFRS 15) and insurance contracts (IFRS 17). The FRC is aware of the IAASB's limited resources, and encourages the Board to explore means to overcome this.E54</p>	
			Professional Skepticism: Concern with the Absence of Clear Requirements to Challenge Management	The FRC agrees with the emphasis added to ISA 540 on professional skepticism. However, the FRC is concerned with the absence of clear drivers to challenge management's judgments and methods, which could be appropriate, but are they the most appropriate?, and if not, what are the implications? The FRC is concerned with the absence of a clear requirements for the auditor to "challenge" management, and believes there is room for using the words "challenge" and "question" in the context of the requirements and its application material related to how auditors approach their work. For example, paragraphs 18 and 19 seem to suggest an approach to obtain evidence that supports management, rather than actively determining whether there is evidence to the contrary. The FRC provides some suggestions for amendments.	

			Some stakeholders concerned with approach to scalability/proportionality	The FRC agrees that the standard should apply to all estimates and that the criterion of "low inherent risk" is appropriate as a gauge for scalability. However, there is concern among some stakeholders that under this approach, some auditors may see a dividing line and assess estimates as having low inherent risk when in fact they do not. The examples in paragraphs A72 and A73 may be helpful, but this a matter that likely audit regulators may wish to monitor when the standard is implement.	
			There is confusion regarding how the 3 risk factors inter-relate	The FRC supports the focus on the 3 factors in the D: complexity, judgment and estimation uncertainty, but believes there is confusion as to how these factors inter-relate. The differences and inter-relationships between the 3 factors could be further explained so that they do not give rise to such confusion in the implementation of the standard.	
			Further guidance on internal controls would be helpful	Much of the application material relates to obtaining an understanding of internal controls. Further guidance on internal controls could be given to help auditors when they intend to rely on internal controls that are relevant in the audits of estimates. In particular, given the different nature of the potential misstatements that can arise from different factors, there would be merit in considering additional guidance about the types of control that may be relevant in the context of type of misstatement, addressed in relation to each factor. Complexity, judgment and estimation uncertainty are not mutually exclusive, and interrelationships need to be considered when the auditor designs and performs tests of controls.	
			Strongly recommends the IAASB to review the application material, as some could be moved to requirements	The FRC notes that there is a very significant amount of application material, in comparison to requirements. The Council is concerned that some application material includes actions that would be expected of the auditors in particular circumstances, but their presentation as actions that auditors "may" take risks them not always being performed when appropriate, and could lead to inconsistent practice. The FRC strongly recommends the IAASB to review all the application material and consider whether designating potential actions as "may" is appropriate. For example, there is a high amount of guidance for paragraphs 17 (complexity) and 19 (estimation uncertainty), some of which could be elevated to requirements. The FRC provides some examples.	
			Definitions of Terms Needed	Given the importance of understanding the meaning of "reasonable" and "appropriate", paragraphs A2 and A3 should be reworked and included as definitions of these terms.	
			Concern on requirements related to auditor's range of estimates	The FRC is concerned that the new requirement on auditor's range (paragraph 20, which would address concerns that auditors may be developing ranges that are inappropriately wide) and its supporting application material may not be noticed by auditors, and auditors may fail to apply the requirement. For the purpose of measuring any misstatement, it is important that the range be as narrow as it can be, based on the audit evidence. For the FRC, it is important that this be reflected in the application material; and that the meaning of the term "supported by the audit evidence" is also clearly set in the standard. Further, the FRC notes that paragraph 19b may convey the idea that an auditor only develops a point estimate when management has not appropriately understood and addressed the estimation uncertainty. Developing a point estimate, or a range, may be one of the ways for auditors to obtain audit evidence.	

			Field testing of the proposals may not be effective	The IAASB has invited auditors to field-testing the proposals in the ED. While this can provide helpful insights, there may be limitations in the effectiveness of this test. E.g., some of the new accounting requirements that the revisions of ISA 540 are meant to address have yet to come into effect; accordingly, examples may not exist. Feedback from auditors should be carefully explored, and changes made in response should have regard for the public interest by following appropriate due process and having regard to other stakeholders' views.	
			Conforming amendments to ISA 540 from the revision of ISA 315	While the FRC understands why it was not possible, the Council thinks that it was unfortunate that the project to revise ISA 315 could not take place at the same time than the revision of ISA 540. As it is, some conforming amendments to ISA 540 may be required as part of the revision of ISA 315.	
			External Information Sources	The conforming amendment proposed to ISA 500, Audit Evidence, is a limited clarification, rather than substance. There is little application material to support the auditor in considering the relevance and reliability of information obtained from external sources. Paragraph 31, on the reliability of audit evidence increased when it is obtained from independent sources outside the entity, may lead auditors not to give sufficient attention to evaluating the reliability of such information.	
			Disclosures: Elevating Application Material to Requirements & Presentation in FFSS	The FRC suggests incorporating as a requirement, not as application material, paragraph A123, which relates to matters relevant to obtaining audit evidence about the reasonableness of management's point estimate and the related disclosures. Further, the FRC recommends giving more emphasis to the importance of the presentation of disclosures in the financial statements and that they be understandable to users.	
			Clarify Requirement on Communication with TCWG	The wording of application material in paragraph A155 suggests that the communication requirement with TCWG is optional. This needs to be changed, to make it clear this is a requirement, and it is not optional.	
			Effective Date: Early Adoption Should be Permitted	The FRC considers unreasonable to require that the revised ISA 540 be applicable to all periods for which IFRS 9 is required to be implemented. However, given that IFRS 9 was one of the drivers for the revision of this standard, early adoption should be permitted, and that ISA 540 is not finalized in a way that would preclude that.	
6	South Africa's IRBA	IFIAR's Member	Opportunity to Further Strengthening ISA 540	IRBA welcomes the holistic revision of ISA 540 and brings several matters to the attention of the IAASB, on areas that could be further strengthened in ISA 540, in order to close the gap between the proposals in the ED and the need to address shortcomings in audit quality in the audits of accounting estimates.	
			Appropriate Response to IFRS 9	The ED of ISA 540 is an appropriate response to deal with IFRS 9, although without IFRS 9 being effective and without the auditor having had to respond thereto in practice, it is too early to conclude whether further updates to ED-540 may be necessary.	
			Professional Skepticism	The ED of ISA 540 appropriately reinforces the application of professional skepticism when auditing accounting estimates.	

			Scalability	<p>- As a regulator and standard setter, IRBA's experience is that too little work is done in the area of accounting estimates, or there is inadequate evidence of the work performed. IRBA warns that any focus on scalability should not have the unintended consequence of auditors doing less work than they should for each accounting estimate.</p> <p>- IRBA makes a number of observations that need being clarified and strengthened in the ISA:</p> <p>1) The ED is unclear on how the auditor should respond when inherent risk has been assessed as low but the accounting estimate is considered material. This is a significant gap, which will create implementation challenges if no addressed in the requirements. There should be no circumstances, where material balances are under audited, and a low risk assessment is used to justify that approach.</p> <p>2) It is unclear whether inherent risk cannot be assessed as low when one or more of the relevant factors are present.</p>	
			Elevate Application Material to Requirements	Paragraph A9 in the application material, which sets out the purpose for performing risk assessment procedures, should be elevated to a requirement.	
				Paragraph A78 in the application material refers to "other relevant factors" the auditor may consider in identifying and assessing the risks of material misstatements, in addition to complexity, judgment and estimation uncertainty. A more robust explanation of these other factors should be included in the requirements, by elevating A 78 to a requirement. Further, it should be clarified more clearly (in paragraph 15) that the auditor's further audit procedures shall also be responsive to any other relevant factors that have been identified.	
			ISA 540 should deal with situations when the entity does not have a formal risk assessment process in place	Paragraph A55 in the application material (about understanding an entity's risk assessment process when the entity has such a process in place) does not deal with the situation when an entity does not have a formal risk assessment process in place. While this is anticipated in ISA 315, ISA 540 should also deal with this situation.	
			Guidance is needed for subsequent events	Guidance should be provided on how the auditor should respond when an event that may affect the forward-looking inputs/variables/assumptions and, ultimately, the impairment provision (e.g. sovereign credit downgrade or severe devaluation in currencies) occurs after the financial statements date, but before the auditor's report is signed.	
			Requiring auditors to develop a point estimate or range	Paragraph 19(b) requires the auditor to develop an auditor's point estimate or range only when in the auditor's judgment management has not appropriately understood and addressed the estimation uncertainty. IRBA believes that the auditor should always be required to develop a point estimate or range. when the reasons for the assessment given to the risk of material uncertainty includes estimation uncertainty, because without the auditor developing a point estimate or range, the auditor may not be able to assess whether management has appropriately understood and addressed the estimation uncertainty.	
			Additional guidance on inputs/variables/assumptions	ISA 540 need to provide more guidance related to the fact that the more obscure the inputs/variables/assumptions are within a model to develop an impairment provision, the more difficult it will be for management and for the auditor to develop a close/tight range.	
				ISA 540 should include guidance on the auditor being required to "stress-test" each input/variable/assumption where the auditor concludes that management's input/variable/assumption does not fall within the auditor's range, and to determine the effect of that difference on the estimations.	

				More guidance is needed related to the extent of further audit procedures and how the auditor should respond when the auditor has identified that an accounting estimate is subject to, or affected by, more than one of the 3 relevant factors.	
				Also, the ED does not provide sufficient guidance to auditors on the extent of further audit procedures and how the auditor should respond when the auditor has identified a significant risk. Additional guidance in this regard should be provided.	
			Agreement on Effective Date	IRBA believes that it is important that the IAASB provides a sufficient period to support the effective implementation of the final ISA 540. This is particularly important given the enhanced risk assessment and response requirements provided in the revised standard that will be performed by auditors. IRBA agrees with the IAASB's proposed effective date for financial reporting periods ending 18 months after the approval of the final ISA 540. The IAASB should consider this date, alongside its process to finalize the ED, such that there is no further delay in this necessary standard.	
			Need to Enhance Documentation Requirements	IRBA notes that the lack of sufficient audit documentation is a key inspection finding in South Africa. IRBA recommends that the documentation requirements should be enhanced, as follows: - Paragraph A158 (documentation of auditor's judgment) should be elevated and included as a requirement; - Auditors should document: auditor's judgment about the assessed risk and the auditor's response; the procedures performed; the overall evaluation; communications with TCWG and management; auditor's judgment on whether the accounting estimates and related disclosures are reasonable in the context of the financial reporting framework. More guidance could be provided on documentation related to the audit of the ECL provisions.	
				IRBA warns that a key consideration by the IAASB when considering its input must be the heavily increased requirements introduced in this standard, and the ability of the audit file to stand up to scrutiny by internal and external inspections. It would be contrary to the objective of the standard, and the goals of the IAASB to enhance quality, if auditors perform the work, but are unable to demonstrate through documented evidence that such work was performed. A spike in unsatisfactory external inspection findings, beyond the current high level, is unsustainable, and will serve to undermine the public confidence in the audit.	
			Communication with Regulators or Prudential Supervisors	IRBA supports the inclusion of paragraph A157 in 540, which recognizes that direct communication of auditors with regulators or prudential supervisors may be permitted or required.	
7	CEAOB (*)	European Audit Oversight Bodies	General support - High number of inspection findings on accounting estimates	The CEOAB supports the project to revise ISA 540 to foster better audit quality in respect of accounting estimates. The database maintained by the audit regulator members of the CEOAB includes a high number of inspection findings on this topic. CEOAB supports the IAASB's efforts to improve the standard to meet the challenges of auditing increasingly complex estimates, and to avoid adding unnecessary requirements and application material to the standard.	
				The main areas of findings in relation to ISA 540 highlighted in a survey conducted by European audit regulators were (i) insufficient challenge of management assumptions (ii) insufficient audit procedures performed by the auditor and (iii) weaknesses in testing internal control related to preparing accounting estimates.	

			Enhancements in the ISA are in the right direction but further improvements are recommended	For the CEAOB, several proposals in the ED are steps in the right direction, including: adapting the level of work effort to the level of risk and to the factors inherent to the risk; a requirement to perform tests of controls to ensure their operating effectiveness before relying on them and when substantive procedures alone are not sufficient; and the "stand back" requirement. Nevertheless, the CEAOB recommends further enhancements, detailed below.	
			Clarify the inter-relationship between different levels of risk	The concepts of "low" inherent risk and "not low" inherent risk will be helpful in adapting responses to those situations, but questions could be raised regarding the link of those concepts with the "significant risk" concept. Further explanation of the inter-relationship between these concepts would be beneficial.	
				Paragraph A95 creates ambiguity regarding the separate assessment of inherent risk and control risk, which should be avoided.	
			Focus on disclosures is adequate but further explanations are needed	The CEOAB supports enhancing the focus of the auditor on the quality of disclosures provided by the audited entity and agrees that disclosures are a key aspect in the audits of accounting estimates. However, regarding the proposal in the ED to change the objective from checking that disclosures are "reasonable" from "adequate", the CEAOB encourages the IAASB to provide further explanations regarding the notion of "reasonable" compared to the former "adequate", in order to achieve consistency in application.	
				Further, revised ISA 540 should more clearly require the auditor to understand the risks (and internal controls) relating to the preparation of disclosures by management, in addition to the provisions in paragraphs 10(a) and 10(e).	
			Further clarify a term	The CEAOB encourages the IAASB to check the consistent use in the ISA of the notion of "outcome of an accounting estimate". Further clarity around the meaning of "outcome" in different situations would be useful to drive further consistency in application.	
			Alternative evaluations by Management	The CEAOB recommends changing the requirement in paragraph 19(b) by integrating an additional step, that the auditor asks the entity's management to provide alternative evaluations before requesting the auditor to develop its own estimate. This would mean elevating the application material in paragraph A126 into the requirements.	
			More guidance or redrafting around "Low" and "Not Low" Risks	The CEAOB notes some concerns in understanding paragraph 15. The IAASB should consider adding more guidance or redrafting the paragraph, to clearly state whether the procedures in 15(a) are applicable or not when the inherent risk is "not low".	
			Level of work effort when an estimation is complex, due to the difficulty in obtaining reliable data and maintaining the integrity of the data	Paragraph 17 only applies when a complex method is used by management or when the method involves specialized skills or knowledge; but there is no indication regarding further procedures required in case of complexity due to the difficulty or unavailability of data. The CEAOB believes that the standard should also make sure that the auditors appropriately address the following matters: analysis of the relevance of the changes in method used (if any) since the last period; analysis, of the relevance in the changes operated in data sources (if any); and analysis of the appropriateness of adjustments incorporated, if any, (for instance, analysis of the discount/premium applied to the most comparable data obtained when exact comparable data is not available). The Board should also clarify that the provisions in paragraphs 18(a) and 18(b) on judgment, also apply to the situation of complexity.	

				Paragraph 20 (about the amounts used by the auditor to develop the auditor's range being supported by the audit evidence) should be further clarified, taking into account that not all the data can be checked against external data. The meaning of this paragraph needs to be developed through further references to other standards applicable or further guidance.	
			Use of Experts	The CEAOB believes that, in addition to the requirements in paragraph 12, it is important to further highlight in the guidance that an involvement of specialized skills might be necessary to inform or confirm the auditor's evaluation of the level of estimation uncertainty in cases where only a specialist has the necessary level of understanding of the potential impact of the accounting estimate. Such involvement could either lead to the specialist performing audit procedures but could also end with his involvement in the risk assessment.	
			Impairment indicators	Paragraph A22 in the application material indicates that the auditor may identify transactions, events and conditions that give rise to the need for accounting estimates that management failed to identify, in relation with ISA 315. The CEAOB believes that missing indicators of impairment, that management failed to identify, should also be referred to in this paragraph, so that the auditor remains alert to any impairment indicators.	
			More clarity needed for weaknesses in internal controls design or operation	Further clarity about the actions to be taken by the auditor when internal control is not appropriately designed or is not operating well, in the context of an accounting estimate, would be welcome. A reference to ISA 330 could be added in this regard.	
			Consideration of other valuations techniques, data and assumptions	The consideration of whether there are other available valuation techniques, assumptions or data that could have been more appropriate is a way to exercise the auditors' professional skepticism. Thus, application material in paragraph 101 (complexity) should be applicable for all the factors addressed in paragraphs 17 to 20, as it is a way to reduce auditor's bias when assessing the risk of material misstatements in the accounting estimates.	
			Conforming amendments to ISA 500	The notion of "publicly available information" should be further clarified in ISA 500, since it could be understood as open and free data, which is not necessarily the case. Pricing services data are indeed often available if the user pays for the data. In case that information from an external source has been used, the auditor should at least check that the data has been accurately incorporated (no mathematical/accuracy errors) and assess that the information is relevant and reliable or verify management's assessment thereof.	
			Post-implementation Review	The CEAOB encourages the IAASB to perform a post implementation review after the implementation of the revisions, to evaluate whether they have led to the positive changes expected.	