

12 June 2026

International Auditing and Assurance Standards Board
To: Mr. Thomas R. Seidenstein (Chair)

570 Lexington Avenue
New York
10022 USA
Submitted electronically

Subject: Comments on the IAASB's Post Implementation Review of International Standard on Auditing 540 (Revised): Auditing Accounting Estimates and Related Disclosures

Dear Mr. Seidenstein

1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Auditing and Accounting Standards Board's (IAASB's) survey as part of its Post Implementation Review (PIR) of International Standard on Auditing (ISA) 540 (Revised), Auditing Accounting Estimates and Related Disclosures. The IAASB's post-implementation reviews are critical to supporting the development of high-quality standards to better understand both the benefits achieved and the challenges experienced in practice.
2. As an international organisation of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high quality auditing and professional standards, as well as other pronouncements and statements.
3. IFIAR's objectives are as follows:
 - Achieve sustained audit quality.
 - Build Member capabilities and effectiveness.
 - Enhance the collective impact of the audit regulatory community.
4. The comments we provide in this letter reflect the views expressed by many, but not necessarily all, of the members of IFIAR. Accordingly, the comments are not intended to include, or reflect, all of the views that might be provided by individual members on behalf of their respective organisations.
5. While IFIAR supports the objectives of the PIR, we have chosen to provide our input in the form of this letter rather than responding strictly through the prescribed survey format. Based on our collective inspection experience, we found it challenging to rate and link specific challenges to individual survey questions in a way that would faithfully reflect the nature and context of the issues identified. Many of the challenges observed are interrelated, arise across multiple requirements, and are best addressed holistically.

6. It is also important to note that many members utilise risk-based inspection programs. These programs select audit files and focus areas based on an assessment of risks to audit quality, including areas involving significant judgment, heightened estimation uncertainty, complexity, and subjectivity. Consequently, the findings discussed herein highlight areas where the risk of material misstatement is typically higher and audit quality challenges are more likely to arise.
7. Where we have not commented on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR.

Overall Assessment of ISA 540 (Revised)

8. IFIAR acknowledges that the objectives of the revision of ISA 540 (Revised) have been partially achieved. The revised standard has improved clarity in articulating expectations related to:
 - More focused risk assessments, particularly through an increased emphasis on inherent risk factors (Question 8(d));
 - The exercise of professional scepticism, including the introduction of the “stand back” requirement (Question 8(a); and
 - Understanding and evaluating management’s process for making accounting estimates, including the auditor’s evaluation of methods, assumptions and data used in accounting estimates (Question 8(c)).

These enhancements represent meaningful improvements over the extant standard and align conceptually with inspection findings observed across jurisdictions.

9. However, clearer requirements have not consistently resulted in robust audit execution in practice. Inspection findings indicate that challenges persist in the audit of accounting estimates, particularly in areas requiring significant professional judgment. This is confirmed by IFIAR survey results where auditing accounting estimates continues to be the area with the highest level of inspection findings. IFIAR encourages the IAASB to perform further analysis to determine whether targeted revisions to standards, additional application material or guidance would support more consistent execution in the audit of accounting estimates.
10. IFIAR notes that firm level systems of quality management underpin consistent audit quality outcomes in the audit of accounting estimates. Risk assessment procedures and appropriate challenge of management are supported by effective resource management, consultation processes, monitoring activities and access to specialist expertise. Additional guidance and examples on how to address auditing estimates when developing and implementing a system of quality management could be helpful to firms, particularly in identifying quality risks and responses.

Persistent Application Challenges

11. Prevailing macroeconomic conditions have significantly heightened estimation uncertainty, thereby increasing the risk of material misstatement in accounting estimates. These conditions include fluctuating interest rates, persistent inflationary pressures, tightening credit markets and ongoing geopolitical tensions. In such environments, the exercise of professional skepticism and robust challenge of management assumptions is particularly critical.
12. Recurring deficiencies observed in practice include:
 - Weaknesses in risk assessment procedures, including poor linkage between identified risks, relevant controls, and the resulting nature, timing, and extent of audit responses.
 - Inadequate evaluation of the design and implementation of controls for estimates, including estimates with assessed risks of material misstatement at the higher end of the inherent risk spectrum.
 - Non-compliance with the requirement to request management to perform additional procedures when management has not taken appropriate steps to understand or address the estimation uncertainty.
 - Insufficient challenge of management’s judgments, particularly for highly subjective estimates or those susceptible to management bias.
 - Inappropriate use of auditor developed point estimates or ranges including:
 - Inadequate understanding of how management addressed estimation uncertainty
 - Insufficient consideration of auditor independence
 - Inadequate consideration of contradictory audit evidence and insufficient documentation of stand back assessments.
 - Insufficient challenge of the appropriateness of management’s significant assumptions, including evidence over how the auditor considered the outcome of previous estimates.
 - Inconsistent distinction between “high” and “significant” inherent risk for complex estimates, reflecting challenges in assessing estimation uncertainty, complexity, and subjectivity across the inherent risk spectrum.
 - Challenges in auditing advanced or AI-driven models used in estimates, including limited transparency over model logic (“black box” models) and difficulties in assessing the relevance and reliability of third-party data inputs.

Closing Remarks

13. We appreciate the opportunity to provide our perspective on the Post Implementation Review of ISA 540 (Revised). Our comments are submitted in the spirit of international cooperation and reflect IFIAR's ongoing commitment to enhancing audit quality and consistency. The role of independent audit oversight in maintaining public trust in financial reporting remains vital, particularly as accounting estimates continue to increase in complexity and uncertainty.

Please do not hesitate to contact me or Stacy Hammett, Chair of the IFIAR Standards Coordination Working Group (SCWG), to discuss any of our comments.

Yours sincerely,



Kevin Prendergast, IFIAR Chair

Cc: Chia-Tern Huey Min, IFIAR Vice Chair
Stacy Hammett, IFIAR SCWG Chair,
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