



Draft Project Plan

Project Title:	ISA / ASA 540 <i>Auditing Accounting Estimates</i>
Project ID:	ASA 540-2017
Project Objective(s):	<ol style="list-style-type: none">1. To provide comments on ED ISA 5402. To release an amended ASA 540 based on the amended ISA and making appropriate Australian amendments
Priority:	High
Issue/Reason:	Refer AUASB Strategic Direction re adoption of ISAs
Date Prepared:	19 April 2017
Date To Be Approved:	26 April 2017
Date Updated: (if applicable)	

Project Objectives

1. To provide comments on ED ISA 540 based on stakeholder input (Phase 1).
2. To release an amended ASA 540 based on the amended ISA, after making appropriate Australian amendments to conform to the Australian regulatory and statutory requirements, and further amendments where is a compelling reason to do so (Phase 2).

Background

The IAASB has conducted a significant re-write of ISA 540 due to strong feedback from practitioners and regulators about issues with the practical application of the existing Auditing Standard. Regulators have been highly critical of the performance of audits over estimates and the subject matter is often complex. Therefore the proposed amendments are significant and will impact the performance of most, if not all, audit engagements.

It is therefore vitally important that the amendments are appropriate, address the issues with the current standard, can be practically applied, and are scalable based on the complexity and size of the subject matter and audit engagement.

The IAASB has indicated it will release an exposure draft in mid to late April 2017, requesting comments by 1 August 2017. The timing of the release of the final standard is dependent on the comments received, and won't be known until later this year, however is likely to be in early / mid 2018.

Stakeholders

1. Practitioners – private (large, medium and SMP) and public sector
2. Regulators - ASIC, APRA, ACNC
3. Entities preparing general or special purpose financial statements that are audited
4. Accounting bodies – CA ANZ, CPA Australia & IPA – representing practitioners.
5. Users of financial reports including shareholders and investors
6. Other Standards Setting Boards – AASB, NZAuASB, IAASB

Risks/Issues

1. Issues are not identified and communicated to the IAASB on the ED.
2. Final ISA 540 not consistent with feedback from the AUASB (and its stakeholders).
3. Proposed amendments to the ISA are made only in accordance with the “compelling reasons” policies and such changes are consistently applied to the relevant standards.
4. Proper consideration is given to stakeholder input.

Action Plan

1. Develop project plan and obtain AUASB approval.

Phase 1

2. To provide comments on ED 540 based on stakeholder input.
 - a) Roundtables to be held in Brisbane, Sydney and Melbourne in May – June 2017. Attendees to be invited from all stakeholders listed above. [NB: Brisbane confirmed for Monday 8th May; Dates to be finalised for Sydney & Melbourne however these are likely to be in the last 2 weeks of May 2017).
 - b) Discuss Australian specific regulator concerns with ASIC to ensure the ED addresses its feedback and inspection findings.
 - c) AUASB to provide input at its 30 May 2017 meeting.
 - d) Submission to be presented to the AUASB for approval at its 18 July 2017 meeting.
 - e) Issue formal submission to the IAASB prior to 1 August 2017.

Phase 2

3. To release an amended ASA 540 based on the amended ISA and making appropriate Australian amendments
 - f) Re-draft ASA 540 based on the ISA after making appropriate Australian amendments
 - a) Ensure Australian amendments pass the Compelling Reasons test
 - b) Present draft ASA 540 to the AUASB (date TBC) for approval to release an ED.
 - c) Issue AUASB Exposure Draft for ASA 540 with 60 days comment period.
 - d) Consider comments received on ED and present disposition paper to the AUASB for approval with:
 - (i) Finalise Compiled Standard including conforming amendments (if any)
 - (ii) Finalise relevant *Basis for Conclusions* document
 - (iii) Finalise OBPR *Regulatory Impact Assessment* (RIA) document(s) and/or *Regulatory Impact Statement* (RIS) as required
 - (iv) Prepare *Explanatory Memorandum*.

Resources

Ashley Wood – AUASB member to attend roundtables, and other stakeholder meetings considered appropriate.

Other AUASB Board Members to be invited to attend ISA 540 Roundtables in Sydney and Melbourne.

AUASB Technical Group Staff (final AUASB staff responsible for this project to be allocated by AUASB Chair and technical Director).

Project Timetable

Date	Description
May – August 2017	Phase 1
TBD	Phase 2