

# Updated Project Plan

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<b>Project Title:</b>	ISA / ASA 540 <i>Auditing Accounting Estimates</i>
<b>Project ID:</b>	ASA 540-2017/2018
<b>Project Objective(s):</b>	<ol style="list-style-type: none"><li>1. To provide comments on ED ISA 540</li><li>2. To issue revised ASA 540 and conforming amendments to other standards based on the amended ISA and making appropriate Australian amendments</li></ol>
<b>Priority:</b>	High
<b>Issue/Reason:</b>	Refer AUASB Strategic Direction re adoption of ISAs
<b>Date Prepared:</b>	19 April 2017 / Updated March 2018
<b>Date To Be Approved:</b>	26 April 2017 / TBA (subject to IAASB timelines)
<b>Date Updated: (if applicable)</b>	

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**Note:** The original project plan approved at the April 2017 AUASB meeting has been included as an [appendix](#) to this document

## **Updated Background to Phase 2:**

At the time of the AUASB April 2018 meeting, it is not known whether the IAASB will re-expose or issue ISA 540. That decision will be made by the IAASB at the June IAASB meeting.

This updated project plan phase 2, has 3 timing options if the IAASB issues the standard and also considers the timing in the event of the IAASB deciding to re-expose ISA 540.

The detail behind the timetable is based on the IAASB voting for approval to issue the revised standard on ISA 540 and conforming and consequential amendments to ISAs 200, 230, 260, 500, 580 and 700 at their June 2018 IAASB meeting. The technical group understands that the PIOB would then approve the revised standard conforming and consequential amendments at their September 2018 meeting.

## **AUASB required action:**

The AUASB is requested to select one of the proposed options as presented.

## **Phase 2 (Updated)**

1. To release a revised ASA 540 and Amending Standard for standards affected by ASA 540 (ASAs 200, 230, 260, 500, 580 and 700) after making appropriate Australian amendments for compelling reasons.
  - a) Draft proposed ED ASA 540 based on the ISA including appropriate Australian amendments (compelling reasons)
    - *Current comments on compelling reasons:*
      - There are no “Aus” paras in the extant ASA 540.

- In discussions to date – there have been no indicators in relation to compelling reasons.
  - b) Draft AUASB Amending Standard Exposure Draft for standards affected by IAASB auditing accounting estimates conforming amendments. Standards affected are ASAs 200, 230, 260, 500, 580 and 700, as equivalent to those issued by the IAASB.
  - c) Issue AUASB Exposure Drafts for ASA 540 and conforming amendments with 60 days comment period.
  - d) Consider comments received on ED, coordinate with NZAuASB and present disposition paper to the AUASB for approval with:
    - (i) Finalised Revised and Compiled Standards
    - (ii) Finalised *Basis for Conclusions* document
  - e) Obtain OBPR *Regulatory Impact Assessment* (RIA) document(s) and/or *Regulatory Impact Statement* (RIS) as required
2. Anticipated Timeframe (*times for phases 1-4 below are based on past experience in dealing with the IAASB*)

*Assumptions:*

- *The AUASB is able to obtain a word version or at least PDF of final ISA 540 and conforming amendments before PIOB approval*
- *The AUASB receives the final word documents by the suggested times*
- *The effective date of the standard is pushed out one year (currently December 2019)*

*Option 1: IAASB approves ISA 540 at the June IAASB meeting. AUASB exposes ASA 540 and other conforming amendments for a 60 day comment period*

	<b><i>Week commencing</i></b>	<b><i>Action</i></b>
1	18 June	IAASB approves for issue ISA 540 and conforming amendments
	12 September	AUASB approves “expected” EDs for issue for 60 day period to be released only after IAASB releases documents. The AUASB would be approving questions on exposure, the final ISA and any compelling reasons
2	24 September	PIOB approves for issue ISA 540 and conforming amendments
3	8 October	IAASB release approved ISA 540 and conforming amendments
4	22 October	AUASB receives word documents from IAASB to convert and prepares exposure drafts including internal quality control
5	12 November	AUASB release of EDs for 60 day period
6	Mid February	AUASB teleconference - disposition of comments and final comments.
7	March AUASB meeting	AUASB approval standards for issue

*Option 2: IAASB approves ISA 540 at the June IAASB meeting. AUASB flexes timing by exposing ASA 540 for a 30 day comment period*

	<i>Week commencing</i>	<i>Action</i>
1	18 June	IAASB approves for issue ISA 540 and conforming amendments
	12 September	AUASB approves “expected” EDs for issue for 60 day period to be released only after IAASB releases documents. The AUASB would be approving questions on exposure, the final ISA and any compelling reasons.
2	24 September	PIOB approves for issue ISA 540 and conforming amendments
3	8 October	IAASB release approved ISA 540 and conforming amendments
4	22 October	AUASB receives word documents from IAASB to convert and prepares exposure drafts including internal quality control
5	31 October	AUASB release of EDs for 30 day period
6	14 December	AUASB teleconference - disposition of comments and final comments.
7	11 January	AUASB teleconference approval standard for issue
8	Jan/Feb	Consequential amendments/compiled standards for ED

*Option 3:*

Another consideration for the AUASB to expedite the process is for the AUASB to exposure the standards after approval at the June 2018 IAASB meeting but before PIOB approval. This option is dependent upon the IAASB releasing their final standard in word version to the AUASB. This option has the associated risk that the PIOB requests changes (even minor) to the final standard – this could cause version issues. This option is not the technical group’s preference.

*Timing where the IAASB possibly re-exposes ISA 540*

	<i>Week commencing</i>	<i>Action</i>
1	18 June	IAASB approves for re-exposure ISA 540 and conforming amendments
2	16 July	IAASB release EDs for a 60 consultation period
3	July-August	Outreach
4	Early September	AUASB teleconference to approve AUASB submission
5	Mid September	AUASB submission to IAASB

## **Resources**

Ashley Wood – Project Specific AUSAB member.

Rene Herman – Project Specific dedicated AUASB technical group member.

# Draft Project Plan

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<b>Project Title:</b>	ISA / ASA 540 <i>Auditing Accounting Estimates</i>
<b>Project ID:</b>	ASA 540-2017
<b>Project Objective(s):</b>	<ol style="list-style-type: none"><li>3. To provide comments on ED ISA 540</li><li>4. To release an amended ASA 540 based on the amended ISA and making appropriate Australian amendments</li></ol>
<b>Priority:</b>	High
<b>Issue/Reason:</b>	Refer AUASB Strategic Direction re adoption of ISAs
<b>Date Prepared:</b>	19 April 2017
<b>Date To Be Approved:</b>	26 April 2017
<b>Date Updated: (if applicable)</b>	

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## 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 8<sup>th</sup> 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