



AUASB DECLARATION OF INTERESTS

As at 12 June 2026

Agenda Paper 1.1
AUASB Meeting 176

AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Doug Niven (Chair)	<ul style="list-style-type: none"> • Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> • Chair of the Auditing and Assurance Standards Board, AUASB Statutory Authority and Office of the AUASB • Member, Australia’s Financial Reporting Council • Member, New Zealand Auditing and Assurance Standards Board 	<ul style="list-style-type: none"> • Member, IAASB/IESBA Stakeholder Advisory Council • Member, IAASB Jurisdictional Standard Setters Group
Ms Julie Crisp (Deputy Chair)	<ul style="list-style-type: none"> • Registered Company Auditor • Fellow, Chartered Accountants Australia and New Zealand • Fellow, CPA Australia • Fellow, Governance Institute of Australia • Fellow, Institute of Public Administration Australia • Graduate, Australian Institute of Company Directors • Certified Internal Auditor, Certified Government Audit Professional, Certification in Risk Management Assurance – Professional Member, Institute of Internal Auditors • Member, Association of Certified Fraud Examiners 	<ul style="list-style-type: none"> • Non-Executive Director, CPA Australia • Member – Performance Statements Audit Expert Advisory Panel, Australian National Audit Office • Former Northern Territory Auditor-General (concluded 12 September 2024) 	<ul style="list-style-type: none"> • Director and Shareholder, Family Trust Company • Director and Shareholder, Asterism Assurance and Advisory Pty Ltd • Board Director and Chair of the Auditing & Risk Committee of Aboriginal Investment NT, a Commonwealth statutory entity regulated by the ACNC • Non-Executive Director, Larrakia Development Corporation • Director, Darwin Hotel Partnership Pty Ltd • Member, Audit & Risk Committee, Charles Darwin University • Member, Audit & Risk Committee, Department of Local Government, Industry Regulation and Safety (a department of the Government of Western Australia)



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Ms Meryl Gwan	<ul style="list-style-type: none"> Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Partner, Grant Thornton Australia 	<ul style="list-style-type: none"> Member of Australian Institute of Company Directors Reporting Committee Member of the Australian Accounting and Assurance Public Policy Committee – Audit Quality Working Group Member of the Australian Accounting and Assurance Public Policy Committee – ESG Working Group Director and Shareholder, Family Trust Company(s) Trustee – personal family trusts
Mr Klynton Hankin	<ul style="list-style-type: none"> Member, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Partner, PricewaterhouseCoopers 	<ul style="list-style-type: none"> Member, Finance, Risk and Audit Committee - Cancer Council Australia
Dr Noel Harding	<ul style="list-style-type: none"> Member, CPA Australia 	<ul style="list-style-type: none"> Professor and Head of School of Accounting, Auditing and Taxation, UNSW Sydney 	<ul style="list-style-type: none"> Editor, International Journal of Auditing Deputy Editor, Accounting and Finance Co-chair of AFAANZ Auditing and Assurance Standards Committee
Mr Terence L Jeyaretnam	<ul style="list-style-type: none"> Degree in Environmental Engineering (UWA) Chartered Professional Engineer Fellow and Engineering Executive of the Institute of Engineers, Australia 	<ul style="list-style-type: none"> Director, Foresight Consulting Group Pty Ltd Clean Energy Regulator Accredited Category 2 Auditor Associate Professor of Practice at Monash University's Department of Accounting, Faculty of Business and Economics Formerly APAC Leader and Partner, Climate Change and Sustainability Services, Ernst & Young in Melbourne 	<ul style="list-style-type: none"> Board member, Australian Conservation Foundation Chair, Amnesty International Australia Chair, Global Citizen, Australia Board member, ProVeg Ltd Councillor, Royal Society of Victoria
Ms Joanne Lonergan	<ul style="list-style-type: none"> Member, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Partner, Ernst & Young 	<ul style="list-style-type: none"> Director & Shareholder, Family Trust Company



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Graeme Pinfold	<ul style="list-style-type: none"> Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Chair, New Zealand Auditing and Assurance Standards Board 	<ul style="list-style-type: none"> Board Member and Treasurer, Okawa Rotoiti Timeshare Owners Association Chair, Sustaining the Audit Profession Working Group Director, The Auckland Theatre Company
Mr Andrew Porter	<ul style="list-style-type: none"> Fellow, Institute of Chartered Accountants in England and Wales Member, Australian Institute of Company Directors Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Chief Financial Officer, Australian Foundation Investment Company Limited CFO for Djerriwarrh Investments, Mirrabooka Investments and AMCIL Limited 	<ul style="list-style-type: none"> Director of Australian Investment Company Services Ltd. Director of a Family Trust Company Director of the Melbourne Anglican Foundation and trustee of related entities
Ms Jennifer Travers	<ul style="list-style-type: none"> Member, Chartered Accountants in Australia and New Zealand 	<ul style="list-style-type: none"> Partner, KPMG 	<ul style="list-style-type: none"> Chair of the Australian Accounting and Assurance Public Policy Committee – Audit Quality Working Group Member of the Australian Accounting and Assurance Public Policy Committee – ESG Working Group Chair of the Trans-Tasman Audit and Advisory Committee (CA ANZ) Director and Shareholder, Family Trust Company(s) Trustee, personal family trusts
Mr Jason Thorne	<ul style="list-style-type: none"> Fellow, Institute of Chartered Accountants in England and Wales Member, Chartered Accountants in Australia and New Zealand Registered Company Auditor 	<ul style="list-style-type: none"> Partner, Deloitte Touche Tohmatsu 	<ul style="list-style-type: none"> Director and Shareholder, family trust company
Mr Chi Mun Woo	<ul style="list-style-type: none"> Member, Chartered Accountants Australia and New Zealand Member, Institute of Chartered Accountants in England and Wales 	<ul style="list-style-type: none"> Director, Huxley Commons Pty Ltd Retired Partner, Deloitte Touche Tohmatsu 	-



Minutes

1 June 2026 Meeting

Subject: Minutes of the 175th Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Virtual meeting via Zoom
Date: Monday, 1 June 2026, 1:00 pm – 2:59 pm

Attendance:

AUASB Members:	Doug Niven (Chair) Julie Crisp (Deputy Chair) Merilyn Gwan Prof Noel Harding Terence Jeyaretnam	Joanne Lonergan (except 2:00pm-2:50pm) Andrew Porter Jason Thorne Jennifer Travers Chi Mun Woo
Observer:	Brenton Newlands	
Office of the AUASB staff:	Anne Waters Rene Herman Marina Michaelides Jeff Muir	Tim Austin Arti Naidu See Wen Ewe Dr Sheryl Huang
Apologies	Klynton Hankin	Graeme Pinfold (NZAuASB Chair)

Minutes

(Agenda Item 1 – Minute 1837) – Welcome and Chair Update

The AUASB Chair welcomed members to the 175th meeting of the AUASB.

Changes to the declarations of interests for one member will be reflected in an updated declaration of interests for the 12 June 2026 meeting.

Four members had approved the minutes for meeting 174 and other members were asked to advise their approval or amendments after the meeting.

The following items were approved out-of-session:

- AUASB response to the IAASB/IESBA Strategy and Work Plan 2028-31 survey; and
- AUASB Consultation Paper on the Proposed International Standard on Review Engagements ISRE 2410 (Revised), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements*.

The Chair had informed members on relevant matters announced in the Federal Budget 2026-27 out of session.

A virtual roundtable was held on the IAASB's Post Implementation Review of ISA 540 *Auditing Accounting Estimates and Related Disclosures* on 21 May 2026. A draft submission to the IAASB will be presented at the 12 June 2026 AUASB meeting.

(Agenda Item 2 – Minute 1838) Observations from December 2025 listed entity Sustainability Assurance Reports

AUASB members were presented with some observations from Corporations Act sustainability assurance reports of listed entities at 31 December 2025.

Members suggested that guidance be developed on the auditor's work where an entity concludes it has no material risks or opportunities, and examples of two modifications. Members were asked to provide examples of modifications at 31 December 2025.



Members continued to not support developing an illustrative assurance report covering mandatory and voluntary assurance. Members didn't consider guidance was needed on the response to 'disclaimers' in sustainability reports, inherent limitation paragraphs, and approaches to cross-referencing and other information.

(Agenda Item 3 – Minute 1839) Update on revised GS 007 Audit Implications for the Use of Service Organisations for Investment Management Services and RSE-related matters

Some changes were suggested to the valuation governance and methodology control objectives in the draft revised GS 007. AUASB members didn't object to proceeding to industry consultation on the draft revised GS 007 and agreed not to split GS 007 into two separate guidance statements for user and service organisation auditors.

Developing separate guidance on RSE-related audit matters was supported. This includes audit work on the valuation of unlisted investments in externally managed MISs. The GS 007 Project Advisory Group will be used, subject to the agreement of its members and the addition of another NZ member. Cooperation with the NZAuASB and XRB will continue.

(Agenda Item 4 – Minute 1840) Revision of ASRE 2405 and ASRE 2415 Australian-specific Standards on Review Engagements – Project Plan

A draft AUASB Project Plan on revising Australian-specific Standards on Review Engagements – ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* and ASRE 2415 *Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation* - was approved. It was agreed to continue to encourage the IAASB to revise ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*.

(Agenda Item 5 – Minute 1841) Private Session

[The text in red will not appear in the public minutes.]

Peer review

Members were presented with the ratings and key themes from the last FRC peer review.

Legal advice on illustrative Corporations Act sustainability assurance reports

This item was deferred to the 12 June 2026 meeting due to the absence of three members.

Close of the Meeting

The Chair closed the meeting at 2:59 pm.

Next Meeting

The AUASB will hold its next meeting virtually on 12 June 2026.

Approval

Signed as a true and correct record.

Douglas Niven
Chair

Date: ** **** 2026



AUASB Agenda Paper

Title:	IAASB's Post-Implementation of ISA 540	Date:	12 June 2026
Office of the AUASB:	Rene Herman	Agenda Item:	2.0

Objective of this agenda paper

1. The objective of this agenda item is to seek the views of AUASB members on responses to the IAASB's Post-Implementation of ISA 540 (Revised)¹ as included at Agenda Paper 2.0.

Questions for AUASB members

No.	Question
1	Do AUASB members have any comments on the draft AUASB response to the IAASB's post-implementation survey of ISA 540 as included at Agenda Paper 2.1?

Background

2. In September 2025, the IAASB agreed a plan to perform a post-implementation review (PIR) of ISA 540 (Revised). The IAASB aims to achieve the following:
 - (a) Determine whether ISA 540 (Revised) has achieved its intended purpose by identifying:
 - (i) Improvements or benefits from applying the revised standard; and
 - (ii) Practical challenges or questions regarding its application, including whether it is being consistently understood and implemented; and
 - (b) Determine what actions, if any, are needed by the IAASB to address identified matters.
3. To support these objectives, the IAASB is undertaking a formal public consultation survey to gather information from a broad range of stakeholders.
4. Based on the insights from the public consultation survey and other targeted outreach activities, the IAASB will determine appropriate next steps, which may include one or a combination of further information-gathering activities, standard-setting activities, or development of non-authoritative materials. The IAASB may also determine that no further action is needed or that there are opportunities to facilitate or support actions by others.

AUASB outreach

5. Agenda Paper 6.2 in the [25 February 2026 AUASB meeting papers](#) outlined our plan for outreach.
6. The draft response to the IAASB has been informed by feedback from stakeholders at our virtual roundtable on the ISA 540 PIR. The IAASB deadline for responses is 15 June 2026.

Materials presented

Agenda Paper	Description
2.1	Draft response to IAASB ISA 540 PIR Survey

¹ ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*

ISA 540 (Revised) Post-Implementation Survey

This document includes survey questions for:

- **Accounting firms**
- **Jurisdictional and Other Standard Setters**
- **Professional Accountancy Organizations (PAOs)**
- **Regulators and Audit and Assurance Oversight Bodies**
- **Academia**
- **Others**

!! Not for Submission !!

This document includes the *Word* version of the International Auditing and Assurance Standards Board's (IAASB) public consultation survey for the post-implementation review of International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*.

It aims to facilitate *stakeholders' internal outreach or information-gathering activities, and drafting and review of responses prior to completing the online survey.*

Please provide your input by using the [online survey](#).

About this Survey

This public consultation survey includes a series of questions to gather input on the impact of ISA 540 (Revised) as part of the IAASB's post-implementation review (PIR) of the standard. The survey was developed with a broad range of stakeholders in mind, including auditors and audit firms, jurisdictional standard setters, professional accountancy or professional organizations, regulators or audit and assurance oversight bodies, preparers or issuers, those charged with governance, investors and other users of financial statements, and academics. The survey questions have been tailored to reflect the perspectives and experiences of different stakeholder groups, ensuring that each respondent is asked questions relevant to their role and interaction with ISA 540 (Revised) or its outputs.

Request and Related Information

Respondents are asked to complete the online public consultation survey for the PIR of ISA 540 (Revised) by following the link provided on the IAASB website. [Access the ISA 540 Post-Implementation Review Survey web page here](#). **Responses to the public consultation survey are requested by June 15, 2026.**

We encourage stakeholders to further distribute the link to the online survey to their members or constituents, as applicable, within their jurisdictions or organizations, and as part of raising awareness or undertaking further outreach activities with all stakeholders.

You may respond to all questions or only selected questions or matters.

All responses to this survey, whether complete or partial, once submitted will be accepted and considered as input for the work of the IAASB project team in relation to the PIR of ISA 540 (Revised). The responses received will be summarized (in various ways, including, for example by stakeholder group) for purposes of progressing the PIR project, including providing feedback to the IAASB and in developing recommendations for possible further actions.

All responses will be considered a matter of public record and submissions will ultimately be posted on the IAASB website.

Structure of the Survey

The questions for respondents are organized in the following sections.

Section I — Background and Purpose

Section II — About the Respondent

Section III — Overall Questions

Section IV — Perceived Benefits from ISA 540 (Revised)

Section V — Potential Issues or Challenges Related to ISA 540 (Revised)

Section I: Background and Purpose

ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

1. In June 2018, the IAASB approved ISA 540 (Revised) as a [final standard](#).¹ ISA 540 (Revised) established more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. The standard was effective for audits of financial statements for periods beginning on or after December 15, 2019.
2. ISA 540 (Revised) addressed the following public interest issues:
 - (a) Audit risks were evolving due to a more complex business environment;
 - (b) Fostering improved exercise of professional skepticism; and
 - (c) Realizing public interest benefits through improved communication and transparency.
3. The IAASB made many enhancements to ISA 540 (Revised) to keep pace with the increasingly complex business environment and changes in financial reporting standards. In addition, recurring audit inspection findings criticized the quality of audit work relating to accounting estimates. Therefore, among other enhancements, ISA 540 (Revised) (paragraphs in the standard are indicated in parentheses):
 - (a) Introduced the concept of inherent risk factors, including not only estimation uncertainty but also complexity, subjectivity and others (paragraphs 2, 4, 16).
 - (b) Enhanced risk assessment procedures relating to obtaining an understanding of the entity and its environment, including the entity's system of internal control (paragraph 13).
 - (c) Emphasized the importance of the auditor's decisions about controls relating to accounting estimates by highlighting relevant requirements in ISA 315 (Revised 2019)² and ISA 330³ (paragraphs 19 and 20).⁴
 - (d) Introduced objectives-based work effort requirements directed to methods (including specifically when complex modelling is involved), data and assumptions, to design and perform further audit procedures to respond to assessed risks of material misstatement (paragraphs 7, 19, 22-25).
 - (e) Enhanced the "stand-back" requirements, by adding an evaluation of the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence (paragraphs 33-35).
 - (f) Enhanced the requirements to obtain audit evidence about the disclosures related to accounting estimates and to determine whether the accounting estimates and related disclosures are

¹ Note that all references to paragraphs and other content of ISA 540 (Revised) is to the latest version of the standard in the [2025 IAASB Handbook](#).

² ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

³ ISA 330, *The Auditor's Responses to Assessed Risks*

⁴ The ISA 315 (Revised 2019) and ISA 540 (Revised) Task Forces coordinated closely to minimize the extent of conforming changes to ISA 540 (Revised) as a result of ISA 315 (Revised 2019). The conforming changes to ISA 540 (Revised) were generally limited to aligning concepts and terminology and did not change the performance requirements in ISA 540 (Revised).

reasonable in the context of the applicable financial reporting framework, or are misstated (paragraphs 26(b), 29(b), 31 and 35).

- (g) Included a new requirement to consider matters regarding accounting estimates when communicating with those charged with governance (paragraph 38).
4. The IAASB also issued non-authoritative materials to support the adoption and effective implementation of ISA 540 (Revised), including presentations, flowcharts and diagrams, and illustrative examples.⁵

Post-Implementation Review

Objectives and Approach

5. In September 2025, the IAASB agreed a plan to perform a post-implementation review (PIR) of ISA 540 (Revised). As indicated in the [PIR for ISA 540 \(Revised\) Plan](#), the IAASB aims to achieve the following:
- (a) Determine whether ISA 540 (Revised) has achieved its intended purpose by identifying:
 - (i) Improvements or benefits from applying the revised standard; and
 - (ii) Practical challenges or questions regarding its application, including whether it is being consistently understood and implemented; and
 - (b) Determine what actions, if any, are needed by the IAASB to address identified matters.
6. To support these objectives, the IAASB is undertaking a formal public consultation survey to gather information from a broad range of stakeholders. Additional targeted outreach activities will be undertaken as well to complement the understanding of identified implementation challenges or questions and to augment, as applicable, the public consultation process to ensure input is obtained from all stakeholder groups.

Potential Output

7. Based on the insights from the public consultation survey and other targeted outreach activities, the IAASB will determine appropriate next steps, which may include one or a combination of further information-gathering activities, standard-setting activities, or development of non-authoritative materials.
8. The IAASB may also determine that no further action is needed or that there are opportunities to facilitate or support actions by others.
9. A key consideration will be the nature and extent of any perceived challenges, including whether those challenges are due to lack of clarity or insufficiency of the requirements or application material in the standard.

⁵ Please refer to the [ISA 540 Implementation webpage](#) for more information on the non-authoritative materials.

Section II: About the Respondent

1. Please provide the following information about your organization (if applicable) and other contact information:

Organization (or leave blank if you are completing the survey in your personal capacity)	Auditing and Assurance Standards Board (AUASB)
Name(s) of contact(s) for this submission	Doug Niven
Job title or role	Chair and CEO
E-mail address(es) of contact(s)	dniven@auasb.gov.au

2. Please select from the following options the stakeholder group to which you or your organization belongs:

Accounting Firm – Global Accounting Firm	
Accounting Firm – Large National or Regional Accounting Firm	
Accounting Firm – Small- or Medium-Sized Accounting Firm	
Accounting Firm – Sole Practitioner	
Accounting Firm – Public Sector Audit Institution	
Jurisdictional Standard Setter (JSS) or Other Standard Setter	X
Professional Accountancy or Professional Organization (PAOs)	
Regulator or Audit and Assurance Oversight Body	
Preparer or Issuer of Financial Statements (Including Public Sector Organizations), or Those Charged with Governance (TCWG)	
Users of Financial Statements (e.g. investor, analyst, lender or other creditor)	
Academia	
Other – Specify	

3. Select from the following options the geographical region that best matches you or your organization:

Africa	
Asia Pacific	X
Europe	
South America	
Middle East	
North America	

Global	
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4. Did you undertake outreach activities with other stakeholders outside your organization to inform your responses to this survey?

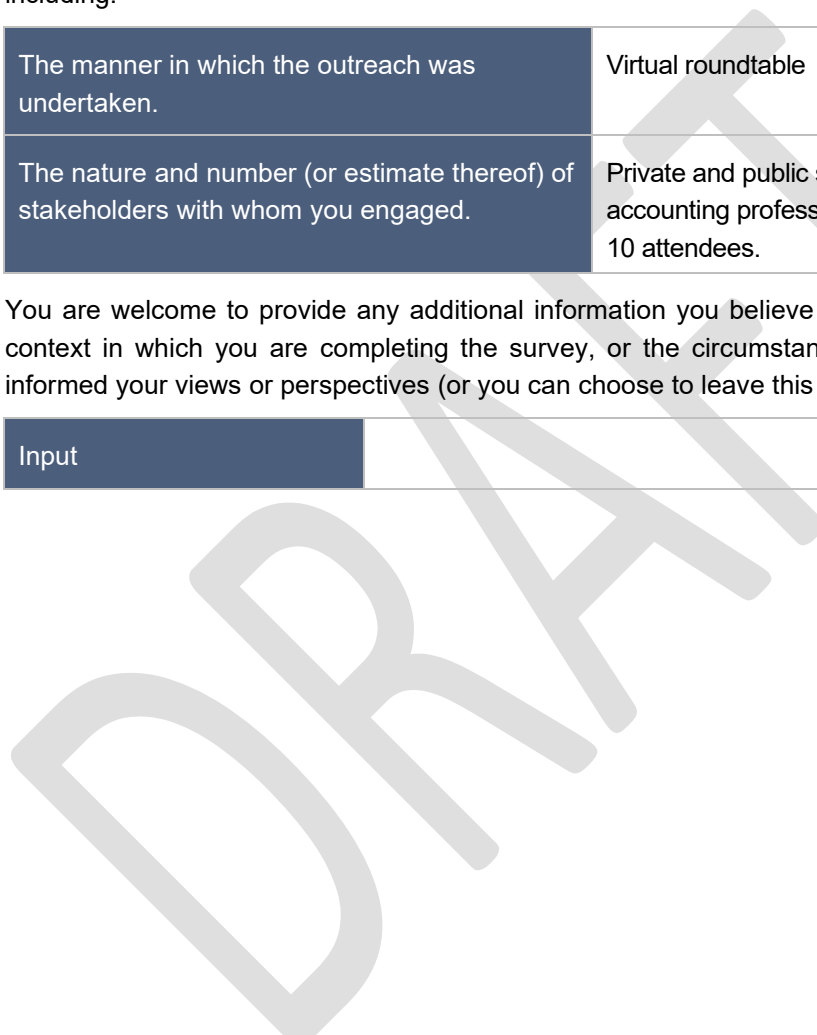
Yes	X	No	
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- 4A. **[If the response to question 4 is yes]** Please provide further information about your outreach activities, including:

The manner in which the outreach was undertaken.	Virtual roundtable
The nature and number (or estimate thereof) of stakeholders with whom you engaged.	Private and public sector practitioners, accounting professional bodies. Approximately 10 attendees.

5. You are welcome to provide any additional information you believe may be relevant to clarify the context in which you are completing the survey, or the circumstances or experiences that have informed your views or perspectives (or you can choose to leave this question blank).

Input	
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Section III: Overall Questions

This section focuses on whether ISA 540 (Revised) has achieved its intended purposes and objectives.

In revising ISA 540, the IAASB aimed to:

- (a) Establish more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. These revisions would also emphasize the importance of the appropriate application of professional skepticism when auditing accounting estimates.
- (b) Determine whether non-authoritative guidance and support tools, such as International Auditing Practice Notes, Staff publications, project updates or other materials, should be developed.

The IAASB also issued non-authoritative materials to support the adoption and effective implementation of ISA 540 (Revised), including presentations, flowcharts and diagrams and illustrative examples (refer to the [ISA 540 Implementation Webpage](#)).

Additional Information

Please note, the questions in this section are overarching in nature and allow respondents to share overall views without getting into details. The specific questions in **Sections IV** and **V** that follow provide opportunity for respondents to comment in more detail on specific aspects related to auditing of accounting estimates.

6. Please provide overall views about whether ISA 540 (Revised) has achieved its intended purpose and the objectives of the IAASB in developing the revised standard.

Input

7. Are you aware of the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised)?

Yes

X

No

- 7A. **[If the response to question 7 is yes]** Do you agree that the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised) are useful?

4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
	X			

Input

Our outreach has indicated that practitioners are still experiencing difficulties in areas where there is insufficient guidance for example:

- Linkages around management’s estimates or developing auditors estimates, expected levels of precision, ranges that are multiples of materiality

- financial instruments particularly guidance for complex models/provisions
- knowing when to use an auditor's expert, determining the scope of their work and appropriately testing and challenging their work.

Partly overlapping the points above, the Australian securities and audit regulator (ASIC) continues to find issues in this area of audit and, where possible, additional guidance may be necessary. Refer to Q15 and Q23 of this survey for more details.

Non-authoritative guidance on the IAASB website, including complex and non-complex estimate examples, was issued several years ago and we recommend that the IAASB provides a reminder on these resources, including their nature and content.

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Section IV: Perceived Benefits from ISA 540 (Revised)

This section seeks to understand stakeholders' perspectives on the perceived benefits or improvements resulting from the implementation of ISA 540 (Revised). The purpose is to gather insights on how the revised standard has, for example, contributed to enhanced audit quality by promoting consistency in the approach to auditing accounting estimates, or contributed to enhanced financial reporting quality by fostering greater interaction among the auditor, management and those charged with governance.

Additional Information

Please note, this section deliberately focuses on **perceived benefits or improvements**. To enhance the richness of input from the survey and to facilitate more effective analysis of responses received, please limit your responses to these aspects. The next section, **Section V**, allows you to share your views on any issues or challenges, or certain specific impacts relating to ISA 540 (Revised).

8. For each perceived benefit, indicate the extent to which you agree that ISA 540 (Revised) has led to benefits or improvements.

Benefits of ISA 540 (Revised)	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) Enhanced exercise of professional skepticism when auditing accounting estimates.		X			
(b) Greater consideration of the skills and competencies of the engagement team, including the need to involve specialists or experts.		X			
(c) Greater attention to understanding management's process for making estimates, including the selection of methods, assumptions and data (and the consistency of selection between periods).	X				
(d) Better or more focused assessments of the risks of material misstatements for accounting estimates.	X				
(e) More focus on understanding and testing controls related to accounting estimates.		X			
(f) Increased auditor attention to disclosures related to accounting estimates, including disclosures about estimation uncertainty.	X				
(g) Enhanced interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates.		X			

Benefits of ISA 540 (Revised)	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(h) Enhanced quality of financial reporting related to accounting estimates.		X			

9. Are there any additional benefits or positive outcomes arising from the implementation of ISA 540 (Revised) that you would like to highlight?

Yes	X	No	
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Input	The stand back requirements of paragraphs 33-36 are beneficial to audit quality in this area.
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Section V: Potential Issues or Challenges Relating to ISA 540 (Revised)

A. Scalability and Proportionality

The IAASB acknowledged the importance of a scalable standard for all types of accounting estimates, from those that are relatively simple to those that are complex, and included several elements to address this, including:

- Introducing and emphasizing the concept of a spectrum of inherent risk (paragraph 4). Under the spectrum of inherent risk concept, the assessment of inherent risk depends on the degree to which the inherent risk factors affect the likelihood or magnitude of misstatement, and varies on a scale.
- Specific paragraphs in the application material that demonstrate how ISA 540 (Revised) is scalable in the risk assessment (paragraphs A20-A22) and the responses to the assessed risks of material misstatement (paragraph A84).
- Emphasizing in a requirement that the auditor's further audit procedures need to be responsive to the reasons for the assessment of the risks of material misstatement at the assertion level and that the auditor's further audit procedures shall take into account that the higher the assessed risk of material misstatement, the more persuasive the audit evidence needs to be (paragraph 18).

10. ISA 540 (Revised) was designed to be capable of being applied to all accounting estimates, and for the nature, timing and extent of the risk assessment and further audit procedures to be varied in relation to the estimation uncertainty and the assessment of the risks of material misstatement. Indicate the extent to which you have experienced or observed or are aware of any issues or challenges related to scalability and proportionality.

4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
	X			

11. Briefly describe these or any other issues or challenges you encountered or observed related to scalability and proportionality.

Input	We understand that scalability continues to be a challenge, particularly for smaller entities with simple estimates.
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12. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
X			

13. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input

The IAASB could consider additional examples to demonstrate the scalability of the standard. The examples need to be complex enough to be helpful - the current examples in ISA 540 are too simplistic.

B. Professional Skepticism

ISA 540 (Revised) includes several key elements that are designed to enhance the auditor’s application of professional skepticism, including:

- Use of stronger language, such as “challenge,” “question,” and “reconsider” to reinforce the importance of exercising professional skepticism (see, for example, paragraphs A60, A95, and A135 of ISA 540 (Revised)).
- A requirement to design and perform further audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory (paragraph 18).
- A requirement to “stand back” and evaluate the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence (paragraphs 33–35).

14. Indicate the extent to which you have experienced or observed or are aware of the following issues or challenges in applying or relating to ISA 540 (Revised) with respect the auditor *exercising professional skepticism* when auditing accounting estimates and related disclosures.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Appropriately challenging management’s judgments used in making accounting estimates, particularly when they involve complex or subjective inputs.			X		
(b) Identifying and appropriately responding to potential indicators of management bias in the development of accounting estimates.		X			
(c) Appropriately considering all relevant audit evidence obtained, whether corroborative or contradictory.			X		

15. Briefly describe these or any other issues or challenges you encountered or observed related to exercising professional skepticism.

Input	<ul style="list-style-type: none"> Where management engages a management's expert, auditors need to be cautious about bias (both auditor's and management's) towards the work of such experts. Using management's own internal forecasts for impairment calculations has an inherent bias. The Australian securities and audit regulator (ASIC) has noted through audit inspection findings reports that auditors regularly fail to critically assess indicators of possible management bias when estimates repeatedly turn out to be overly optimistic or consistently favour the company's targets.
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16. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
	X		

17. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input	<p>The requirements of paragraph 30 of ISA 540 on using the work of a management's expert are not specific enough to facilitate consistency in the audit work required when management has used an expert. In particular the use of the word 'may' in a requirement, could be facilitating an over-reliance on the use of the work of a management's expert. This may require standard setting action.</p>

C. Risk Assessment Procedures

ISA 540 (Revised) includes an enhanced risk assessment specifically tailored to accounting estimates that builds on the risk assessment required by ISA 315 (Revised 2019). The inherent risk factors of estimation uncertainty, complexity and subjectivity play a central role in the approach to the identification and assessment of the risks of material misstatement related to accounting estimates, and the responses to those assessed risks. ISA 540 (Revised) also notes that there may be other inherent risk factors, including susceptibility to misstatement due to management bias or fraud.

18. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *risk assessment procedures and identifying and assessing the risks of material misstatement related to accounting estimates*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) The consideration of inherent risk factors and the interrelationship between them in identifying and assessing risks of material misstatement related to accounting estimates.				X	
(b) How the understanding of the entity and its environment, and the entity’s internal control for accounting estimates, relates to the understanding required by ISA 315 (Revised 2019) (i.e., whether it is clear that the requirements in paragraph 13 of ISA 540 (Revised) relate specifically to accounting estimates and build on the broader requirements in ISA 315 (Revised 2019)).				X	
(c) Reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation (i.e., the retrospective review of accounting estimates).				X	
(d) Understanding management’s process for making accounting estimates, including how management identifies and selects relevant methods, assumptions and data, and how management understands and addresses estimation uncertainty.				X	
(e) The separate assessments of inherent and control risk relating to an accounting estimate.				X	
(f) Whether any of the assessed risks of material misstatement are significant risks.				X	

- 18A. **[If the response to question 18(b) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges]** Provide additional input, if any, about any issues or challenges regarding the *interaction*

of ISA 540 (Revised) with ISA 315 (Revised 2019) in relation to risk assessment procedures and the identification and assessment of risks of material misstatement for accounting estimates.

Input	
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- 18B. [If the response to question 18(c) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you agree with the following statements with respect to reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation.

Statements Related to Retrospective Review	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) The retrospective review process is difficult due to changes in economic conditions or assumptions that make prior-period estimates less comparable.					
(b) The time and effort required to perform a retrospective review outweigh the perceived benefits for audit risk assessment.					

19. Briefly describe these or any other issues or challenges you encountered or observed related to risk assessment procedures and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.

Input	We understand that there is a challenge in applying the risk assessment at the assertion level where the spectrum of risk is often at a more granular level (e.g. risk may be higher in the cash flows but lower in the discount rate).
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20. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
		X	

21. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input	
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D. Responses to the Assessed Risks of Material Misstatement and Overall Evaluation

The auditor’s responses to assessed risks of material misstatement for accounting estimates include one or more of the following testing strategies:

- Obtaining audit evidence from events occurring up to the date of the auditor’s report;
- Testing how management made the accounting estimate; or
- Developing an auditor’s point estimate or range.

For these testing strategies, the IAASB introduced objective-based requirements, focused on methods (including models), assumptions and data. The objective-based requirements allow scalability in the nature, timing and extent of the procedures performed, recognizing that the higher the assessed risks of material misstatement, the more persuasive the audit evidence needs to be.

ISA 540 (Revised) requires the auditor to determine whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated. In making this determination, the auditor is required to evaluate the effect of uncorrected misstatements on the financial statements. ISA 540 (Revised) provides guidance for that evaluation, consistent with ISA 450, *Evaluation of Misstatements Identified During the Audit*.

22. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *responding to the assessed risks of material misstatement*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
Responses to the Assessed Risks of Material Misstatement					
(a) Determining the most appropriate response(s) to the assessed risks of material misstatement at the assertion level from among the testing approaches in paragraph 18 of ISA 540 (Revised).				X	
(b) Determining whether to test the operating effectiveness of controls related to an accounting estimate.		X			
(c) Appropriately applying the testing approach of obtaining audit evidence about events occurring up to the date of the auditor’s report, either alone or with another testing approach(es).				X	
(d) Testing how management made the accounting estimate.		X			
(e) Developing an auditor’s point estimate or range.		X			
Overall Evaluation					

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(f) Determining whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.		X			
(g) Evaluating identified misstatements related to accounting estimates, including when the audit evidence supports a point estimate that differs from management’s point estimate or a range that does not include management’s point estimate, or when the auditor’s range is wide (in some cases, multiples of materiality for the financial statements as a whole).		X			

22A. [If the response to question 22(d) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *testing how management made the accounting estimates*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Testing management’s selection of the method, significant assumptions, and data used, including whether management’s judgments give rise to indicators of possible management bias.		X			
(b) Understanding management’s application of the method involving complex modelling and testing complex models, including the integrity and completeness of the data used.		X			
(c) Whether management has taken appropriate steps to understand and address estimation uncertainty, including the selection of an appropriate point		X			

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
estimate and developing related disclosures about estimation uncertainty.					

22B. [If the response to question 22(e) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *developing a point estimate or range*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Determining when it may be appropriate to develop an auditor’s point estimate or range.		X			
(b) Determining that the auditor’s range includes only amounts that are supported by sufficient appropriate audit evidence and have been evaluated to be reasonable in the context of the measurement objectives and other requirements of the applicable financial reporting framework.		X			
(c) Maintaining objectivity and independence, for example, when material adjustments are made to management’s point estimate based on the auditor’s point estimate developed using a model or assumptions that were different from management’s models and assumptions.		X			

23. Briefly describe these or any other issues or challenges you encountered or observed related to responding to risks of material misstatement and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.

Input	<p>In relation to auditor’s expert:</p> <ul style="list-style-type: none"> When to use such an expert (i.e. determining when an auditor doesn’t have the appropriate skills or knowledge). How to determine which expert to use, particularly where management has also used an expert and the industry has a limited number of appropriate experts.
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- Clarifying the scoping of the expert’s work – particularly who is responsible for testing the underlying data.
- Over-reliance on the use of the expert’s work (bias), insufficient testing and challenge of the expert’s findings.

*Where the work of a **management’s expert** is used:*

- Where management engages their own expert, auditors need to be cautious about bias (both auditors and management) towards the work of such an expert.
- Using management’s own internal forecasts for impairment calculations has an inherent bias and ASIC has observed a "tick-box" approach where auditors accept management’s valuations without independently assessing the inputs or the competence and objectivity of management’s valuation experts.

Testing management’s estimate / developing auditor’s estimate:

- Auditors may be reluctant to develop a point estimate owing to independence considerations as well as concern regarding the expected levels of precision.
- Auditor’s estimate not matching management’s estimate and having ranges that are multiples of materiality.
- Offsetting valuation errors in a sample of derivatives in a large population.

Other ASIC inspection findings in this area:

- Auditors often fail to sufficiently test the forecast cash flows, discount rates, growth rates, and other key assumptions in impairment models
- Auditors frequently do not adequately challenge the economic scenarios, historical data adjustments, and probability weightings used by management to estimate loan and receivable provisions.
- Auditors regularly fall short in reviewing the completeness and appropriateness of data and variables used to calculate complex provisions (e.g. insurance claims, environmental restoration).

24. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
		x	

25. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input	Non authoritative guidance could be developed in these areas, such guidance could provide more extensive practical examples.
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E. Other Matters – Communications, Specialized Skills or Knowledge and Documentation

ISA 540 (Revised) enhanced the requirements for other aspects of auditing accounting estimates and related disclosures, such as:

- Communication with TCWG, management or other relevant parties;
- Specialized skills or knowledge, including using the work of an auditor’s expert; and
- Documentation.

26. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *communication, specialized skills or knowledge, including using the work of an auditor’s expert, and documentation*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
Communications					
(a) Determining the matters, if any, to communicate related to accounting estimates, (including about significant qualitative aspects of the entity’s accounting practices and significant deficiencies in internal control).				x	
Specialized Skills or Knowledge, Including Using the Work of an Auditor’s Expert					
(b) Determining when it is appropriate to involve an auditor’s expert(s) (an internal or external expert) and using the work of an auditor’s expert(s) in auditing an accounting estimate(s).	x				
Documentation					
(c) Preparing appropriate audit documentation in accordance with the requirements in paragraph 39 of ISA 540 (Revised).			x		

27. Briefly describe these or any other issues or challenges you encountered or observed related to communications, specialized skills or knowledge (including using the work of an auditor’s expert) and documentation.

Input	Refer paragraph 23 above.
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28. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
		x	

29. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input	
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DRAFT



AUASB Agenda Paper

Title:	IAASB Papers - Audit Evidence and Risk Response	Date:	12 June 2026
Office of the AUASB:	Rene Herman	Agenda Item:	3.0

Objective of Agenda Item:

1. To seek AUASB member input on the final read before exposure of [proposed ISA 500](#)¹, [proposed ISA 330](#)² and [proposed ISA 520](#)³ and [proposed conforming and consequential amendments](#).
2. Agenda Paper 2.2 for the [March 2026 AUASB meeting](#) provided a high-level summary of the key proposals for the proposed standards; all of which have been discussed with the AUASB at prior meetings.
3. The IAASB is expected to vote to issue the proposed standards as Exposure Drafts at its upcoming June 2026 meeting.
4. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair (including through the IAASB/IESBA Stakeholder Advisory Council and Jurisdictional Standard Setters (JSS) arrangements).

Questions for AUASB Members

5. The key questions for the attention of AUASB members are:

No.	Questions
1	<i>ISA 500 – Technology</i> Do AUASB members have any further comments on the way technology has been incorporated into proposed ED-500 (see paragraphs 10 and 11 of this paper)?
2	<i>ISA 500 – Evaluating the reliability of information to be used as audit evidence</i> <ul style="list-style-type: none">• Do AUASB members consider it is sufficiently clear as to how 'significant in the circumstances' is to be applied (paragraph 12 of this paper)?• Do AUASB members support the specific requirement of paragraph 9A as it relates to completeness and accuracy (paragraph 13 of this paper)?• Do AUASB members consider the documentation requirements, particularly as it relates to reliability of information is sufficiently clear (paragraph 14 of this paper)?
3	<i>ISA 330 – Test of controls alone</i> Do AUASB members have any comments on the application of the risk-based threshold as it pertains to test of controls alone (see paragraph 15 of this paper)?
4	Do AUASB members have any other comments on the Proposed ISA 500, Proposed ISA 330, Proposed ISA 520 and the conforming and consequential amendments?

Background and Previous Discussions on Topic

6. The IAASB is currently undertaking a project to modernise and revise the Audit Evidence and Risk Response Standards:

¹ ISA 500 *Audit Evidence*

² ISA 330 *The Auditor's Responses to Assessed Risks*

³ ISA 520 *Analytical Procedures*

- At its [March 2025 meeting](#), the IAASB discussed stand-back requirements, paragraph 18/ISA 330 Material Classes of Transactions, Account Balances, and Disclosures (COTABDs), test of controls, substantive procedures and professional scepticism.
 - At its [June 2025 meeting](#), the IAASB discussed defining test of details, analytical and substantive analytical procedures, using evidence obtained in prior audits, accepting records and documents as genuine.
 - At its [September 2025 meeting](#), the IAASB material COTABDs, authenticity, technology, test of controls, substantive procedures alone, results of analytical procedures.
 - At its [December 2025 meeting](#), along with discussion of matters previously raised, the IAASB also discussed significant risks.
 - At its [March 2026 meeting](#), along with discussion of matters previously raised, the IAASB considered the first full drafts of Proposed ISAs 500, 330 and 520.
 - At its [May 2026 mid quarter call](#), further progression of matters.
7. AUASB members discussed the key matters at its March 2025, June 2025, September 2025, December 2025 and March 2026 meetings.

MATTERS FOR THE ATTENTION OF AUASB MEMBERS

8. Agenda Paper 2.3 for the [13 March 2026 AUASB meeting](#) presented a summary of the key proposals to amend ISAs 500, 520 and 330. There were no matters highlighted by AUASB members for consideration by the IAASB.
9. There are several matters for the attention of AUASB members at the 12 June 2026 meeting on ISA 500 and ISA 330. There are no substantive changes to the proposed revised ISA 520 to bring to the attention of the AUASB.

ISA 500 - Technology

10. The requirements of Proposed ISA 500 are principles based with no technology specific requirements. Application material A14 [A14E] clarifies that the auditor may perform audit procedures manually or using technological tools.
11. Extensive technology examples are used throughout the application material. Appendix 3 includes considerations for using technological tools and examples of how these tools may be used when designing and performing audit procedures. The considerations and examples cover:
- Nature of the Entity's IT Environment and Information
 - The purpose of the audit procedures
 - The nature of the COTABD and the persuasiveness of audit evidence needed
 - The availability of audit firm resources
 - Laws and regulations

ISA 500 - Evaluating the reliability of information to be used as audit evidence

12. In evaluating the reliability of information to be used as audit evidence, Proposed ISA 500 paragraph 11 [9], requires the auditor to consider the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures. Application material paragraph A28 [A35A] clarifies that which attributes of reliability are of significance in the circumstances is a matter of professional judgment and that it is unnecessary for the auditor to evaluate all the attributes of reliability. Application material paragraph A43 [AA56Bb] clarifies the interrelationship between the source of the information intended to be used as audit evidence and the attributes of reliability, noting that the source of the information affects the auditor's professional judgment regarding the attributes of reliability

that are of significance in the circumstances. Application material A41- A53[A56B-A56L] provides guidance regarding considerations of the attributes of reliability.

13. Paragraph 12 [9A] contains a conditional requirement in relation to completeness and accuracy where information to be used as audit evidence is from sources internal to the entity.
14. Application material paragraph A65Qb clarifies that there is no requirement for the auditor to document the consideration of each attribute of reliability of the information.

ISA 330 - Tests of control (TOC) alone

15. Proposed ISA 330 explicitly allows for TOC alone. Paragraph 11 [9A] introduces a “risk-based” threshold for when it is appropriate for the auditor to respond to the assessed ROMM at the assertion level through a tests of controls alone approach. This approach is designed to future-proof the standards in view of technological change. Application material paragraph A35 [A25aa] explains that, in some situations, the auditor may have formed an expectation that certain controls address assessed inherent risks at the assertion level to such an extent that the risks of material misstatement at the assertion level are reduced to an acceptably low level. Such expectations are a matter of professional judgment that is affected by the extent to which the controls are sufficiently precise to address inherent risk. Paragraph 15 [11B] prohibits rotation of controls testing where the audit approach is TOC alone.

Conforming and consequential amendments

16. The following are the more substantive conforming and consequential amendments to other standards arising from the Proposed ISAs 500, 330 and 520:
 - a. Resources to the engagement in paragraphs 25 of ISA 220 now specifically addresses human, technological and intellectual resources. In other ISAs this has also been widened.
 - b. A new stand back in paragraph 11A/ISA 700: The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In doing so, the auditor shall consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or to contradict the assertions in the financial statements.
 - c. Currently paragraph 36/ISA 315 requires the auditor to evaluate whether their determination that a material COTABD isn't a significant COTABD remains appropriate. In light of the removal of paragraph 18/ISA 330, there is now a new documentation requirement paragraph 38(e)/ISA 315 to document such an evaluation.
 - d. The removal of the sentence 'The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.' (paragraph A24 of ISA 200). The proposals are more closely aligned to Proposed ISA 500 and reads: “Proposed ISA 500 (Revised) requires the auditor to evaluate the reliability of information intended to be used as audit evidence, which includes procedures to address the authenticity of such information when the auditor considers that the attribute of authenticity is of significance in the circumstances to meet the intended purpose(s) of the audit procedures. Other than performing audit procedures in relation to authenticity when it is of significance in the circumstances and remaining alert throughout the audit for conditions or indications to the contrary, the auditor may consider information, including records or documents, to be authentic.”

NEXT STEPS

23. It is expected that the IAASB will approve the three exposure drafts at its June 2026 meeting for release in early August, for a 130-day exposure period, ending mid December 2026.
24. The AUASB will be asked to vote to expose the three proposed standards in Australia at the August AUASB meeting.



AUASB Agenda Paper

Title:	IAASB Papers – Inventories	Date:	12 June 2026
Office of the AUASB:	See Wen Ewe / Rene Herman	Agenda Paper:	4.0

Objective of this agenda paper

1. The objective of this agenda item is to seek the views of AUASB members on key directional matters affecting ISA 501¹ being discussed at the upcoming June 2026 IAASB meeting.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair (including through the IAASB/IESBA Stakeholder Advisory Council (SAC) and Jurisdictional Standard Setters (JSS) arrangements).

Questions for AUASB members

No.	Question
1	<p>Do AUASB members have any comments on the IAASB Project Team's proposals to enhance requirements and/or application material to:</p> <ul style="list-style-type: none">• recognise how entities' use of technology in inventory management may impact the audit (paragraphs 5-7 of this agenda paper)• provide clarity about attendance at inventory counting (paragraphs 8-10 of this agenda paper)• provide clarity regarding changes in inventory between the count date and the date of the financial statements for inventory at multiple locations (paragraphs 11-14 of this agenda paper)
2	<p>Proposed paragraph 8 of ISA 501 allows the auditor to rely solely on confirmations of inventories from third party custodians even where such inventory is a significant account. Proposed application material paragraph A14E notes that an auditor ordinarily performs inspection or other further procedures instead of, or in addition to, such confirmations.</p> <p>Do AUASB members consider it appropriate for an auditor to rely on only a confirmation of inventory by a third party custodian even where such inventory is a significant account (see paragraphs 4(c) and (d) of this paper)?</p>

Background

3. A [project proposal](#) to revise audit evidence standards related to inventory in ISA 501 was approved at the March 2026 IAASB meeting.
4. At the March 2026 meeting, the IAASB also discussed selected topics on inventory (see [Agenda Item 2.3 of March 2026 AUASB meeting pack](#)) including agreeing to:
 - (a) Replace the materiality-based conditionality in ISA 501 with a risk-based conditionality, supported with enhanced application material with stronger linkages to ISA 315;
 - (b) Reinforce the linkages in ISA 501 to foundational requirements in ISA 315, proposed ISA 330 and proposed ISA 500, including that auditors need to obtain more persuasive audit evidence the higher the assessment of inherent risk;
 - (c) Clarify that the determination whether sole reliance on third-party external confirmation procedures may be appropriate depends not just on the level of

¹ ISA 501, *Audit Evidence—Specific Considerations for Selected Items – Inventory*

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assessed risk of material misstatement, but also on other considerations, including the relevance and reliability of information intended to be used as audit evidence; and

- (d) Clarify the potential limitations of the sufficiency and appropriateness of audit evidence regarding the existence and condition of inventory held by third parties obtained from performing external confirmation procedures

A. Implications of the Use of Technology by Entities in Managing Inventory and by Auditors in Auditing Inventory

- 5. The IAASB Project Plan highlights that ISA 501 does not sufficiently reflect the use of new and evolving technologies by entities in inventory management or by auditors in performing audit procedures for inventory. There is a risk that auditors may not adequately address emerging risks or practical challenges arising from the use of technology by both the entity and the auditor.
- 6. The IAASB project team is considering enhancing application material in ISA 501 in the following areas:
 - (a) The impact of using technology on the entity's inventory management and on the audit including relating to:
 - (i) Management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting.
 - (ii) The accuracy and completeness of the entity's inventory records at the date of the financial statements.
 - (iii) The determination of inventory quantities in perpetual inventory systems.
 - (b) The auditor's responsibilities regarding the design, implementation and operating effectiveness of relevant controls including:
 - (i) Highlighting that when entities use technology in inventory management, the auditor has responsibilities in relation to IT applications and identified GITCs.
 - (ii) Emphasising that, in applying ISA 315 and Proposed ISA 330, the auditor may identify IT applications and automated controls, including relevant GITCs, within inventory management processes. These controls may be critical to maintaining the accuracy and completeness of the entity's inventory records. Accordingly, the auditor may need to test the design and operating effectiveness of such controls, particularly when substantive procedures alone cannot provide sufficient appropriate audit evidence.
 - (c) The auditor's responsibilities for determining the need for, and use of, an expert including recommending enhancing application material to emphasize that, when management uses technology in inventory management, the auditor may determine that it may be necessary to involve an expert (e.g. an IT expert) to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory.
- 7. The Office of the AUASB supports all the proposals to enhance application material.

B. Attendance at Inventory Counting

- 8. The Project Plan highlights a lack of clarity about whether "attendance" at inventory counting (unless impracticable) can include the use of technological tools for remote observations - for example, visual footage from drones, scanners and camera systems. As a result, auditors may be uncertain whether or how such practices meet the relevant requirements of ISA 501.
- 9. The IAASB project team considers that the current approach in paragraph 4(a) of ISA 501 may be unclear about what the auditor's attendance at the entity's inventory counting (unless impracticable) means and how to apply the requirement depending on how entities

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perform inventory counts. Also, retaining the current approach may not reflect how audit evidence can be obtained in practice using technological tools in performing audit procedures. Accordingly, the project team considered the following approaches regarding how attendance at inventory counting could be addressed in revising ISA 501:

- (a) Remove the reference to “physical” in the requirement (Option A); or
- (b) Retain extant approach but clarify in the application material that remote attendance at inventory counting by using technological tools is an alternative audit procedure that auditors may perform (Option B).

On balance, the project team recommends Option A as this option enhances the flexibility of the requirements in ISA 501 in an environment where technological tools enable auditors to attend inventory counting remotely. Option A also addresses instances where physical attendance is impracticable and where remote attendance could be performed instead.

- 10. The Office of the AUASB supports Option A, but considers that application material suggested through Option B is still relevant to option A.

C. Sufficiency and Appropriateness of Audit Evidence Obtained for Inventory

- 11. The IAASB project plan identifies recurring issues in audit procedures on inventory, for example, lack of appropriate audit procedures for testing inventory movements between interim count dates and period-end dates, not evaluating the accuracy and completeness of period-end inventory reports, inadequate audit procedures when the entity performs cycle counts or maintains inventory in multiple locations.

When Management Uses a Perpetual Inventory System Supported by Cycle Counts

- 12. The project team is recommending enhancing application material to:
 - (a) Clarify that the principles that apply are the same as when management performs a complete physical inventory count near period end; and
 - (b) Include practical examples of audit procedures that auditors may perform to obtain audit evidence about whether changes in inventory between the cycle count date(s) and the date of the financial statements are properly recorded.

Inventories in Multiple Locations

- 13. The project team is recommending enhancing application material to:
 - (a) Highlight risks associated with inventories at multiple locations, such as:
 - (i) Inconsistent application of counting procedures or controls across locations.
 - (ii) Timing differences and cut-off errors arising from goods in transit between locations at period-end.
 - (iii) Limitations in system integration where multiple IT systems are used, affecting the reliability of consolidated inventory records.
 - (b) Highlight that auditors may need to:
 - (i) Observe inventory counts at multiple locations to assess whether procedures are applied consistently.
 - (ii) Verify whether inventory in transit is recorded in the appropriate location and accounting period.
 - (iii) Test controls over system interfaces, including completeness and accuracy of data transfers between systems.
- 14. The Office of the AUASB supports the recommendations of the IAASB project team.



AUASB Agenda Paper

Title:	IAASB Papers - External Confirmations	Date:	12 June 2026
Office of the AUASB:	Rene Herman / See Wen Ewe	Agenda Item:	5.0

Objective of this agenda paper

1. The objective of this agenda item is to seek the views of AUASB members on key directional matters affecting ISA 505¹ being discussed at the upcoming June 2026 IAASB meeting.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair (including through the IAASB/IESBA Stakeholder Advisory Council (SAC) and Jurisdictional Standard Setters (JSS) arrangements).

Questions for AUASB members

No.	Question
1	Do AUASB members have any comments on any of the IAASB Project Team's proposals as outlined in paragraphs 5 to 16 of this agenda paper?
2	Do AUASB members have any views on whether there is a need to remove, or retain and enhance, the stand-back requirement at paragraph 16 in Proposed ISA 505 (see paragraphs 17 to 19 of this paper)?

Background

3. A [project proposal](#) to revise audit evidence standards related to external confirmations in ISA 505 was approved at the March 2026 IAASB meeting.
4. At the March 2026 meeting, the IAASB also discussed selected topics on external confirmations (see [Agenda Item 2.3 of March 2026 AUASB meeting papers](#)) including agreeing:
 - (a) Continuing to allow the use of negative confirmation requests when all specified preconditions are met, and only when performed in combination with other substantive procedures.
 - (b) Requiring auditors to consider whether to perform external confirmations procedures for certain account balances.
 - (c) To include an example when the use of negative confirmations are appropriate and provide examples of other substantive procedures that can be performed in combination with negative confirmation requests.

Discussion at the upcoming June IAASB meeting

A. Implications of Using Technology and Third-Party Intermediaries in External Confirmations

5. The project plan noted that ISA 505 does not sufficiently address the use of technology in external confirmation procedures, for example, when using firm-acquired or developed technological tools and third-party intermediaries, including its impact on the auditor's ability to maintain control over external confirmation requests.
6. The project team is proposing to address the implications of using technology and third-party intermediaries in external confirmations in Proposed ISA 505 (Revised) by:
 - (a) Adding a requirement for auditors to evaluate the implications on the reliability of confirmation requests and responses when using an intermediary in the external confirmation process.

¹ ISA 505, *External Confirmations*

- (b) Enhancing application material by clarifying that the auditor or confirming party may engage an intermediary in the external confirmation process and by emphasizing that using an intermediary does not diminish the auditor's responsibility to maintain control over the external confirmation process.
- (c) Enhancing application material by clarifying that intermediaries are considered service providers under ISQM 1².
- (d) Enhancing application material by providing examples of audit procedures the auditor may perform when evaluating the reliability of external confirmation requests and confirmation responses.
- (e) Enhancing application material by clarifying that direct access to information maintained by a knowledgeable external source could in certain circumstances constitute an appropriate means of obtaining relevant and reliable audit evidence.
- (f) Emphasising the auditor's responsibility to maintain control over the confirmation process by clarifying that the auditor is responsible for selecting the items to be confirmed, sending the confirmation requests and obtaining the confirmation responses.

7. The Office of the AUASB supports these proposals.

B. Assertions Addressed by External Confirmations

- 8. The project plan noted that there is a lack of clarity about whether external confirmation procedures, on their own, may in some circumstances be appropriate or sufficient as audit evidence for all, or for certain, assertions about a class of transactions, account balance or disclosure.
- 9. The project team is recommending enhancing application material by clarifying which assertions may or may not be addressed in certain circumstances by external confirmation procedures. This will improve the auditors' understanding of both the strengths and limitations of external confirmation procedures, and, therefore, will improve consistency in practice.
- 10. The Office of the AUASB supports these proposals.

C. Reliability of Responses to External Confirmation Requests

- 11. The project plan noted that in practice, addressing the reliability of responses to external confirmation requests has become more complex due to several factors, for example, reliance on electronic or automated confirmation systems that may lack sufficient authentication mechanisms, and potential interception or manipulation of confirmation requests or responses.
- 12. Stakeholders noted that ISA 505 may be interpreted as requiring further audit evidence only when doubts arise, rather than requiring a broader, ongoing evaluation of the reliability of information intended to be used as audit evidence in accordance with paragraph 9 of Proposed ISA 500 (Revised). Therefore, the project team is recommending a new requirement for the auditor to consider any information about matters that the auditor becomes aware of that:
 - (a) Impairs the credibility of the selected confirming party.
 - (b) Indicates that the confirmation request or confirmation response may have been intercepted or altered.

Resolving Doubts About the Reliability of Confirmation Responses

- 13. The project team is also recommending aligning paragraph 10 of ISA 505 with paragraph 12(b) of Proposed ISA 500 (Revised) such that, if the auditor has doubts about the reliability of a response to a confirmation request, the auditor is required to "determine what modifications to external confirmation procedures, or what other audit procedures, are necessary to resolve those doubts." By aligning, the project team seeks to emphasise that evaluating the reliability of confirmation responses is not a standalone exercise, but rather

² International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*.

part of the broader, iterative process of evaluating the reliability of information intended to be used as audit evidence.

14. The Office of the AUASB supports these proposals.

D. Non-Responses and Exceptions in External Confirmation Procedures

15. The project plan notes that there are identified recurring challenges in how auditors address non-responses and exceptions in external confirmation procedures. Accordingly, the project team is recommending:
- (a) Enhancing the requirement on addressing non-responses by clarifying that in the case of each non-response, the auditor is required to perform alternative procedures “for the selected item”.
 - (b) Enhancing the application material by emphasizing that the auditor needs to perform alternative audit procedures that provide relevant and reliable audit evidence for the assertions addressed by the external confirmation procedures and that the auditor may determine that a combination of alternative audit procedures is necessary to obtain relevant and reliable audit evidence.
 - (c) Enhancing the application material by highlighting factors that may affect the nature, timing and extent of alternative procedures
 - (d) Expanding the current requirement in paragraph 14 of ISA 505 by explicitly highlighting that:
 - (i) A misstatement resulting from an exception may also be indicative of fraud; or
 - (ii) Exceptions may also be indicative of deficiencies in the entity’s system of internal control.
16. The Office of the AUASB supports these proposals.

E. The Need for a Stand-Back Requirement

17. Paragraph 16 of ISA 505 is a subject matter-specific stand-back requirement. It reads “*The auditor shall evaluate whether the results of the external confirmation procedures provide relevant and reliable audit evidence, or whether further audit evidence is necessary.*” It addresses a specific consideration while being interconnected to the core stand-back requirement in paragraph 25A of Proposed ISA 330 (Revised)³, which requires the auditor to evaluate whether the audit evidence obtained from further audit procedures is sufficient and appropriate in responding to the assessed risks of material misstatement.
18. The project team considered the following alternative:
- (a) Removing the stand-back requirement in Proposed ISA 505 (Revised) because it would be covered by the stand-back requirement in Proposed ISA 330 (Revised). However, this may be perceived as resulting in a less rigorous standard than extant ISA 505.
 - (b) Retaining the stand-back requirement in Proposed ISA 505 (Revised) because of the specific considerations relating to external confirmations in ISA 505 and given high-profile corporate failures linked to external confirmations.
 - (c) Retaining the stand-back requirement in paragraph 16 of ISA 505 and aligning it with the stand-back requirement paragraph 25A of Proposed ISA 330 (Revised).
19. The Office of the AUASB does not have a strong view on removing the requirement of paragraph 16 of ISA 505.

³ Proposed ISA 330 (Revised), *The Auditor’s Responses to Assessed Risks*.