

**Meeting:** IAASB  
**Meeting Location:** New York, USA  
**Meeting Date:** June 18–23, 2018

## Agenda Item 8

### Due Process

#### Objective of Agenda Item

1. To advise the IAASB of the status of due process for proposed ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*.

#### Background

2. The IAASB Technical Director is responsible for advising the IAASB as to whether due process has been followed effectively and with proper regard for the public interest before a proposed Standard, or changes to a Standard, are approved.
3. The following outlines the Interim Technical Director's conclusion and basis thereof with respect to actions up to the June 2018 IAASB meeting for the above ISA. Before approval of proposed ISA 540 (Revised), the Interim Technical Director will advise on whether due process has been followed during the course of the June 2018 meeting.

#### Due Process Up to the Date of the June 2018 IAASB Meeting

4. The Interim Technical Director confirms to the IAASB that, up to the June 2018 IAASB meeting, proposed ISA 540 has been developed in accordance with the IAASB's due process.
5. In summary, for proposed ISA 540 (Revised), the IAASB:

#### *Project Commencement and Development*

- Approved the project proposal<sup>1</sup> for commencement of work to revise extant ISA 540, and consulted with the IAASB Consultative Advisory Group (CAG) on the proposal.
- Consulted with the IAASB CAG on significant issues during the development of proposed ISA 540 (Revised).

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB's attention, and the Task Force has reported back to the IAASB CAG the results of the IAASB's deliberations.

- Considered whether it is necessary to hold a public forum or roundtables, or to issue a consultation paper or conduct field testing, in order to solicit views on a matter under consideration.

In the development of proposed ISA 540 (Revised), the Task Force published a project publication<sup>2</sup> in March 2016 that describes the project to revise ISA 540 and which helps

---

<sup>1</sup> [www.ifac.org/system/files/publications/files/IAASB-ISA-540-Project-Proposal.pdf](http://www.ifac.org/system/files/publications/files/IAASB-ISA-540-Project-Proposal.pdf)

<sup>2</sup> [www.ifac.org/system/files/publications/files/IAASB-ISA-540-Project-Publication.pdf](http://www.ifac.org/system/files/publications/files/IAASB-ISA-540-Project-Publication.pdf)

auditors to understand the audit challenges that may arise from the adoption and future application of Expected Credit Loss models, and to help auditors develop appropriate audit procedures in that respect. The IAASB also invited auditors of all different sizes to field test proposed ISA 540 (Revised).<sup>3</sup> Finally, the Task Force undertook extensive outreach with key stakeholders throughout the course of the project. Accordingly, no consultation paper, public forums, or further field testing were deemed necessary for proposed ISA 540 (Revised).

#### *Exposure Draft*

- Approved and issued an [exposure draft](#) of proposed ISA 540 (Revised) (ED-540) for public comment, together with an explanatory memorandum highlighting, amongst other matters, the significant proposals of the IAASB.
- Considered analyses of the significant comments and issues raised by respondents on the exposure draft, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by respondents have, or have not, been accepted.
- Having familiarized themselves with the issues raised in comment letters, the IAASB members:
  - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Task Force, that they considered should be discussed; and
  - Amended ED-540 accordingly.
- Consulted with the IAASB CAG on significant issues raised in comment letters on ED-540 and the IAASB's related responses. Significant comments received to date through the consultation with the IAASB CAG have been brought to the IAASB's attention. The Task Force will report back to the IAASB CAG the results of the IAASB's deliberations since the March 2018 CAG meeting at the CAG's September 2018 meeting. The Task Force has reported back to the IAASB CAG the results of the IAASB's earlier deliberations.

---

<sup>3</sup> [www.ifac.org/system/files/publications/files/Proposed-ISA-540-Revised-Auditing-Accounting-Estimates-and-Related-Disclosures.pdf](http://www.ifac.org/system/files/publications/files/Proposed-ISA-540-Revised-Auditing-Accounting-Estimates-and-Related-Disclosures.pdf)