



July 5, 2017

International Auditing and Assurance Standards Board
Via webposting: www.iaasb.org

Dear Sir/Madam:

Re: ISA 540 (Revised) – Auditing Accounting Estimates and Related Disclosures

We support the proposed Standard as outlined in the exposure draft ISA 540 (Revised) – Auditing Accounting Estimates and Related Disclosures. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA
Provincial Auditor

jr/dd
Attachment

| | Question | Response |
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| 1 | Has ED-540 been appropriately updated to deal with evolving financial reporting frameworks as they relate to accounting estimates? | Yes, ED-540 has been appropriately updated. |
| 2 | Do the requirements and application material of ED-540 appropriately reinforce the application of professional skepticism when auditing accounting estimates? | Yes, the requirements and application material appropriately reinforce the application of professional skepticism when auditing accounting estimates. |
| 3 | Is ED-540 sufficiently scalable with respect to auditing accounting estimates, including when there is low inherent risk? | We are uncertain if ED-540 is sufficiently scalable with respect to auditing accounting estimates and support piloting the proposed standard to confirm it is. |
| 4 | <p>When inherent risk is not low (see paragraphs 13, 15 and 17-20):</p> <p>a) Will these requirements support more effective identification and assessment of, and responses to, risks of material misstatement (including significant risks) relating to accounting estimates, together with relevant requirements in ISA 315 (Revised) and ISA 330?</p> <p>b) Do you support the requirement in ED-540 (Revised) for the auditor to take into account the extent to which the accounting estimate is subject to, or affected by, one or more relevant factors, including complexity, the need for the use of judgment by management and the potential for management bias, and estimation uncertainty?</p> <p>c) Is there sufficient guidance in relation to the proposed objectives-based requirements in paragraphs 17 to 19 of ED-540? If not, what additional guidance should be included?</p> | <p>a) Yes, the requirements support effective identification and assessment of, and responses to, risks of material misstatement relating to accounting estimates. However, we stress the importance of coordination with the planned or potential revisions to ISA 315 to ensure terminology is consistent between the two standards (e.g. meaning of “significant risk”, determining risk of material misstatement using combined approach or separately (via inherent and control risk)).</p> <p>b) Yes, we support the requirement in ED-540 (Revised).</p> <p>c) Yes, there is sufficient guidance in relation to the proposed objectives-based requirements.</p> |

| | Question | Response |
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| 5 | <p>Does the requirement in paragraph 20 (and related application material in paragraphs A128-A134) appropriately establish how the auditor's range should be developed? Will this approach be more effective than the approach of "narrowing the range", as in extant ISA 540, in evaluating whether management's point estimate is reasonable or misstated?</p> | <p>Yes, the requirement in paragraph 20 (and related application material in paragraphs A128-A134) appropriately establishes how the auditor's range should be developed. We believe this approach will be more effective in evaluating whether management's point estimate is reasonable or misstated. Reference to these related application material paragraphs should be added to paragraph 20.</p> |
| 6 | <p>Will the requirement in paragraph 23 and related application material (see paragraphs A2-A3 and A142-A146) result in more consistent determination of a misstatement, including when the auditor uses an auditor's range to evaluate management's point estimate?</p> | <p>Yes, the requirement in paragraph 23 and related application material will assist in more consistent determination of a misstatement.</p> |
| 7 | <p>With respect to the proposed conforming and consequential amendments to ISA 500 regarding external information sources, with the revision to the requirement in paragraph 7 and the related new additional application material result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources?</p> | <p>Yes, they will support appropriate and consistent evaluations of the relevance and reliability of information from external information sources.</p> |
| 8 | <p>a) Translations – Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-540.</p> <p>b) Effective Date – Recognizing that ED-540 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods ending approximately 18 months after the approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.</p> | <p>a) N/A – no comment on potential translation issues.</p> <p>b) Yes, we think the effective date for the standard provides sufficient time to implement the standard.</p> |