

Meeting: Stakeholder Advisory Council (SAC)

Meeting Location: Madrid

Meeting Date: April 27–28, 2026

Agenda Item

2

Post-Implementation Reviews Feedback

Introduction

1. Standard setting is the primary means through which the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) (together referred to as the Standard Setting Boards (SSBs)) serve the public interest. Standard-setting projects are initiated, progressed and finalized in accordance with the SSBs' Integrated Due Process and Public Interest Framework (PIF) Operating Procedures¹ (Due Process).
2. In addition, the adoption and implementation of their standards are an important focus for the SSBs, including. This includes the effective application of the standards in supporting the consistent performance of quality audit, other assurance and related services engagements and ethical behavior in business and organizations and, where appropriate, independence. To this end, Due Process requires that the SSBs assess, for significant standard setting projects, the need and, as relevant, priority for undertaking a post-implementation review (PIR), including the aspects of a pronouncement (i.e., a standard or revisions to a standard(s)) that should be addressed by such a PIR.²
3. The objectives of a PIR are to:
 - (a) Determine whether the new or revised pronouncement has achieved its intended purpose by identifying:
 - (i) Benefits from applying the new or revised pronouncement; and
 - (ii) Practical challenges or questions regarding its implementation, including whether it is being consistently understood and applied; and
 - (b) Determine what actions, if any, are needed by the SSBs to address identified matters.
4. PIRs of new or revised pronouncements are only considered after a significant period of global adoption and implementation of the pronouncements (e.g., 3–5 years). This allows sufficient time for the new or revised pronouncements to be properly embedded in practice and for internal and external monitoring purposes.
5. The scope and form of a PIR may vary depending on the aspects of the new or revised pronouncement that are being addressed.³ A PIR is often undertaken in phases involving various

¹ See "Due Process" under Quick Links on the [IAASB](#) and [IESBA](#) websites.

² Due Process, Paragraph 39

³ Due Process, Paragraph A44

information-gathering activities that may include, for example, desktop literature reviews, targeted outreach with stakeholders and public consultation including through surveys.

6. Based on the insights from information-gathering activities undertaken, the SSBs will determine appropriate next steps, which may include:
 - (a) One or a combination of further information-gathering, standard setting, or development of non-authoritative material; or
 - (b) An opportunity to facilitate or support action by others; or
 - (c) No further action.

Focus of the Discussion with SAC Members

7. Each SSB is currently undertaking a PIR. The PIRs of the following pronouncements have progressed through the phase of initial information gathering and are now in the phase of public consultation through online surveys of stakeholders and, as appropriate, additional targeted outreach activities:
 - For the IAASB, PIR of ISA 540 (Revised).⁴ The [public consultation survey](#) was launched on February 17, 2026 and is open until June 15, 2026. See paragraphs 10–19 below for additional background and matters for SAC members' consideration.
 - For the IESBA, PIR of the Non-Compliance with Laws and Regulation (NOCLAR®) standard. The [public consultation survey](#) was launched on April 1, 2026 and is open until July 30, 2026. See paragraphs 20–30 below for additional background and matters for SAC members' consideration.
8. The SSBs invite responses from stakeholders across all stakeholder constituencies and geographies. The various IAASB and IESBA project teams will assess the diversity and representation of stakeholders participating in their public consultation surveys and will proactively engage with stakeholder groups that may be underrepresented.
9. The April 2026 SAC meeting represents an opportunity to obtain input directly from SAC members based on selected matters addressed in the public consultation surveys. The focus is on matters that may be particularly relevant to certain stakeholder groups represented on the SAC, for example, preparers of financial statements, those charged with governance (TCWG) and users of financial statements. However, the selected matters are broadly relevant, and all SAC members are encouraged to share their views.

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

10. In June 2018, the IAASB approved ISA 540 (Revised) as a final standard. ISA 540 (Revised) establishes 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 is effective for audits of financial statements for periods beginning on or after December 15, 2019.

⁴ International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Why Was ISA 540⁵ Revised and Nature of Revisions

11. IAASB consultations and post-implementation reviews undertaken in early 2015 indicated issues with the application of the then extant ISA 540 in audits of financial statements of financial institutions, as well as more broadly. In particular, the consultations and post-implementation reviews highlighted:
 - (a) Areas in which clearer or additional requirements or guidance were needed to enable auditors to appropriately deal with increasingly complex accounting estimates and related disclosures;
 - (b) The impacts of revisions in financial reporting standards, such as revisions arising from IFRS 9,⁶ which fundamentally changes the way that banks and other entities account for their loan assets and other credit exposures, and ultimately impacts the audit of financial statements of these entities; and
 - (c) Recurring audit inspection findings criticizing the quality of audit work relating to accounting estimates.
12. The project to revise ISA 540 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.
13. The IAASB made many enhancements in developing ISA 540 (Revised) to keep pace with the increasingly complex business environment and changes in financial reporting standards. Among other enhancements, ISA 540 (Revised):
 - (a) Enhanced auditor risk assessment procedures relating to obtaining an understanding of the entity and its environment, including the entity's system of internal control. This is supported by the explicit recognition of the concept of inherent risk factors, including not only estimation uncertainty but also complexity, subjectivity and others.
 - (b) Emphasized the importance of the auditor's decisions about controls relating to accounting estimates by highlighting relevant requirements in foundational standards such as ISA 315 (Revised 2019) (assessment of the risks of material misstatement) and ISA 330 (the auditor's responses to assessed risks).
 - (c) Introduced objectives-based work effort requirements directed to methods (including specifically when complex modelling is involved), data and assumptions (i.e., the three key elements of accounting estimates). These requirements also focus the auditor on whether judgments made by management in preparing accounting estimates and related disclosures give rise to indicators of possible management bias, and enable the auditor to design and perform further audit procedures to respond to assessed risks of material misstatement through one or more of the following testing strategies:
 - (i) Obtaining audit evidence from events occurring up to the date of the auditor's report;

⁵ ISA 540, *Auditing Accounting Estimates and Related Disclosures*

⁶ International Financial Reporting Standard (IFRS) 9, *Financial Instruments*

- (ii) Testing how management made the accounting estimate; or
 - (iii) Developing an auditor's point estimate or range.
 - (d) Enhanced the requirements to obtain audit evidence about the disclosures related to accounting estimates (including disclosures about estimation uncertainty) and to determine whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.
 - (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.
 - (f) Included a new requirement to consider matters regarding accounting estimates when communicating with TCWG.
14. 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 (available on ISA 540 Implementation [webpage](#)).
15. The IAASB "At a Glance" document that was issued with the standard provides a more comprehensive overview of ISA 540 (Revised) and can be accessed [here](#).

PIR: Initial Information Gathering

16. In 2025, the IAASB commenced its PIR of ISA 540 (Revised). The preliminary activities of the PIR focused on obtaining an understanding of the current landscape to identify key implementation areas to be explored through public consultation.
17. The IAASB undertook outreach activities with jurisdictional standard-setters, firms and regulators, given that these stakeholders are directly involved with the standard (i.e., adopting the standard, implementing and applying the standard or monitoring compliance with the standard). These initial activities were essential to inform the development of the public consultation survey.

PIR: Additional Targeted Outreach Activities

18. During the public consultation phase of the PIR, the project team is undertaking additional targeted outreach to complement its understanding of identified implementation challenges or questions and to augment, as applicable, the public consultation process. Together with the public consultation survey submissions, this outreach will support the development of well-informed recommendations for the IAASB's consideration later in 2026.
19. To that effect, SAC members are invited to share their views regarding the following matters:
- (a) Work focus by auditors on auditing accounting estimates and related disclosures, including understanding and testing of controls related to accounting estimates;
 - (b) Interactions and communications between auditors and preparers and TCWG, as well as, for users and others, through transparency in the auditor's report; and
 - (c) Quality of financial reporting related to accounting estimates, including how accounting estimates and related disclosures are prepared.

Matters for SAC Members' Consideration

1. Describe whether you have observed or are aware of an **increased work focus by auditors** on auditing accounting estimates and related disclosures since the effective date of ISA 540 (Revised). You may also reflect on whether auditors are devoting appropriate attention to accounting estimates, including whether there are:
 - (a) Greater/improved attention to understanding management's process for making accounting estimates, including the selection of methods, assumptions and data.
 - (b) More focus on understanding and testing controls related to accounting estimates.
 - (c) Increased focus on disclosures related to accounting estimates, specifically disclosures about estimation uncertainty.
 - (d) Greater/improved consistency in how audit firms approach the audit of accounting estimates.
2. Regarding **transparency through communications and reporting**, describe whether you have observed or are aware that:
 - (a) Interactions and communications between the auditor and management and TCWG have improved. For example, an increase in dialogue with the auditor and requests for additional documentation and evidence by the auditor to support how the entity has developed its accounting estimates and related disclosures.
 - (b) Communications in the auditor's report (e.g., Key Audit Matters related to accounting estimates) have improved in terms of describing the matter(s) and how the auditor has addressed the matter(s) in the audit.
3. Describe whether you have observed or are you aware of **enhanced quality of financial reporting by entities** relating to accounting estimates because of the impact of auditors applying ISA 540 (Revised). You may also reflect on whether the entity's interactions with the auditor have led the entity to:
 - (a) Further challenge its approach to the selection of the methods, assumptions and data used for accounting estimates.
 - (b) More robustly consider their disclosures about estimation uncertainty relating to accounting estimates.
 - (c) Make more considered decisions about the need to involve a managements' expert in preparing its accounting estimates and disclosures.
4. Based on your experience or observations, share views on **any other matters that the IAASB should consider** during the PIR. This may include any specific suggestions for the IAASB to address issues or challenges related to the implementation or application of ISA 540 (Revised) (e.g., standard-setting activities, development of non-authoritative material, or other actions within the remit of the IAASB).

Non-Compliance with Laws and Regulation (NOCLAR)

20. The IESBA NOCLAR pronouncement sets out a response framework to guide professional accountants in public practice and professional accountants in business on how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR.
21. The pronouncement sets out the professional accountant's responsibilities when encountering such circumstances, guides the professional accountant in assessing the implications of the matter and considering possible courses of action in responding to the matter.
22. NOCLAR comprises acts of omission or commission, intentional or unintentional, which are contrary to prevailing laws or regulations⁷ committed by:^{8, 9}
 - In the context of professional accountants in business – their employing organization, TCWG, management, or others working for or under the direction of the employing organization.
 - In the context of professional accountants in public practice – a client, TCWG, management, or other individuals working for or under the direction of the client.
23. For an overview of the NOCLAR pronouncement, click [here](#).

Why Was the NOCLAR Project Started?

24. The project was started in the aftermath of the major corporate scandals in the early 2000s, including Enron, Worldcom, Tyco Electronics, and Parmalat. While professional accountants have an ethical responsibility not to turn a blind eye to an act or suspected act of non-compliance,¹⁰ professional accountants lacked practical guidance on how to respond to a NOCLAR situation and deciding how best to act in the public interest in such circumstances.
25. Concerns were also raised by the regulatory community and other stakeholders about:¹¹
 - The duty of confidentiality under the Code acting as a barrier to timely disclosure by auditors of fraud and other NOCLAR to regulatory and enforcement authorities.
 - Auditors simply resigning from the client relationship because of identified or suspected NOCLAR without the matter being appropriately addressed.
 - A lack of guidance in the Code about the thought process and relevant factors to take into account in determining an appropriate course of action in responding to the matter in the public interest.

⁷ Examples of the range of laws and regulations covered include those that address fraud, corruption, bribery, money laundering, terrorist financing and proceeds of crime, securities markets and trading, data protection, tax and pension liabilities and payments, banking and other financial products and services, environmental protection, public health and safety.

⁸ In the 2025 version of the Code, paragraphs 360.5 A1 and 360.5 A2.

⁹ In the 2025 version of the Code, paragraphs 260.5 A1 and A2.

¹⁰ [NOCLAR Basis for Conclusions](#) paragraph 2

¹¹ [NOCLAR At-a-Glance](#) page 2

26. Therefore, the IESBA launched¹² the NOCLAR project in 2010 to address these concerns.
27. The key intended outcomes of the project were to:
- (a) Ensure that professional accountants respond in a timely way to identified or suspected NOCLAR.
 - (b) Rectify, remediate or mitigate the adverse consequences of identified or suspected NOCLAR to stakeholders and the general public.
 - (c) Deter the commission of NOCLAR.
 - (d) Stimulate increased reporting of identified or suspected NOCLAR where required by law or regulation, or where determined appropriate under the Code in the public interest.

How Was the NOCLAR Project Informed?

28. The NOCLAR pronouncement was developed over more than six years, and included the two public consultations and three global roundtables.
29. In April 2016, the [pronouncement](#) was issued by the IESBA, with an effective date of July 2017.

Adoption and Implementation

30. The NOCLAR pronouncement was incorporated into the 2018 version of the Code. Based on adoption and implementation data provided by the International Federation of Accountants, 100+ jurisdictions have adopted or used the 2018 or later version of the Code.

Matters for SAC Members' Consideration:

5. *Do you have knowledge or experience of the NOCLAR standard (or equivalent local standard) and its implementation?*
- If so, what are your perspectives regarding the impact of the standard in your jurisdiction?*
6. *Do you have any insights or perspectives regarding challenges to implementation and consistent application of the NOCLAR standard (or equivalent local standard) across the whole profession?*
7. *Do you have views or suggestions on specific matters the IESBA should consider as part of the PIR on the NOCLAR provisions?*

Material Presented

For Discussion

Agenda Item 2-A Presentation: Post-Implementation Reviews Feedback

¹² The [project proposal](#) was [approved](#) in November 2010, and covers both PAPPs and PAIBs. The scope included developing revisions to the fundamental principle of Confidentiality and two new sections to provide additional guidance for PA's on how to respond, and actions to take, in situations where they encountered a suspected illegal act.

Post-Implementation Reviews Feedback
SAC Public Session (April 2026)

For Reference

Agenda Item 2-B [Survey for Post-Implementation Review of ISA 540 \(Revised\)](#)

Agenda Item 2-C [Survey for Post-Implementation Review of NOCLAR](#)