

## ACCA audit monitoring reviews

ACCA has always taken a constructive approach to audit monitoring in order for its firms to achieve and maintain a satisfactory standard of auditing. Firms need to show that they have carried out their audits substantially in accordance with auditing standards.

In particular, each audit file should show that the firm has obtained sufficient audit evidence for the key areas of the audit to support the audit opinion issued.

The compliance team have identified the following most common issues during recent audit monitoring reviews (the list is in no particular order):

AREA	ISSUE
Documentation (ISA 230)	<ul style="list-style-type: none"> <li>• Work performed but not (adequately) recorded.</li> <li>• No summary and evaluation of the results of audit tests to support the conclusion.</li> <li>• Professional judgement not recorded.</li> </ul>
Fraud (ISA 240)	<ul style="list-style-type: none"> <li>• No consideration of fraud risks specific to the client.</li> <li>• Not highlighting management override as a significant audit risk.</li> </ul>
Completeness testing (ISA 500)	<ul style="list-style-type: none"> <li>• Income and creditor testing not done outside of the accounting records to test for what's not there.</li> <li>• Bank letters for all accounts not obtained.</li> </ul>
Audit sampling (ISA 530)	<ul style="list-style-type: none"> <li>• Risk levels not sufficiently taken in to account.</li> <li>• Adoption of sample size caps without consideration of its appropriateness.</li> <li>• Not recording how the sample sizes are calculated nor the method for selecting the sample.</li> </ul>
Going concern (ISA 570)	<ul style="list-style-type: none"> <li>• Insufficient formal appraisal on the appropriateness of management's use of going concern assumption.</li> <li>• Lack of challenge in relation to management assumptions.</li> <li>• Not evident that a period of at least 12 months from the approval date of the financial statements has been considered.</li> </ul>

There are many other areas that could have been included. For example not identifying all significant accounting estimates at planning and evaluating the audit risk, recording the audit work on these adequately and concluding on these (ISA 540); insufficiently evaluating and testing internal controls (ISA 315) and not considering previously unidentified related parties (ISA 550). We will look to expand on these in future articles.

It's also worth highlighting the introduction of ISQM1 and 2 together with a revised ISA 220 Quality Management for an Audit of Financial Statements with effect from 15 December 2022. There are key areas that firms need to address including the introduction of a risk assessment process and a new emphasis on quality management. ACCA will be holding an 'Understanding the ISQM Updates' webinar on 5 October 2022. You can register for this [here](#).

Further information can be found at <http://www.iaasb.org/focus-areas/quality-management>