

ACCA audit monitoring reviews – quarterly update – what to expect from a monitoring review

This quarter we're shifting our focus away from common issues, concentrating instead on the practicalities of what to expect from a monitoring review.

AUDIT MONITORING

ACCA is required by our regulators to adopt a risk-based approach to audit monitoring. This approach takes into account the risks of non-compliance with ACCA's Rules, the size and complexity of the audit firm and of its audit clients, the outcomes of past monitoring reviews and other intelligence about the firm. ACCA's primary response to elevated risk is to accelerate the timing of the next monitoring review (the statutory cycle is six years for both UK and Ireland). Higher risk reviews therefore take place on either a four-year or a two-year cycle, although reviews ordered by the Regulatory Assessor or Admissions and Licensing Committee, being of the highest risk, are typically 12-18 months after the previous review.

A Senior Compliance Officer (SCO) will undertake the audit monitoring review where a firm holds audit clients and/or has undertaken audits in the previous two years. They will look to contact a firm approximately 2 – 3 months before the monitoring falls due. The planning call is used to obtain further information about the firm (eg any changes to the structure; number of current audit clients etc) which will determine the number of audit files subject to review. It will also incorporate the practicalities of the review itself (be it on-site or done remotely). Where a firm is monitored remotely this can be done via obtaining access to the firm's online audit programme; reviewing scanned files that have been uploaded to Sharepoint; or by review of couriered paper files.

You will need the following documents for your monitoring review in addition to the audit files:

- Breakdown of audit clients where an audit report has been issued within 24 months of submitting the information including activity type; reporting framework; audit opinion issued; fees split between audit and non-audit fees
- CPD records for previous years together with [IES8 checklist](#)
- Professional Indemnity Insurance
- Continuity of Practice
- Evidence of ISQM compliance
- Evidence of compliance with Code of Ethics and Conduct eg engagement letters; client money; long-standing relationships; independence etc
- Evidence of compliance with DBPRs / ERAs if applicable.

ACCA draws its audit monitoring review conclusions on the extent of compliance with auditing standards based on the inspection of a sample of completed audit files selected by ACCA and provided to it by the firm. It would be worth reviewing the [self-diagnostic checklist](#) in advance of a monitoring review. Appropriate documentation of the audit work by the firm is of critical importance to ACCA's assessment of [compliance with auditing standards](#) as it provides evidence that the audit was planned and performed in accordance with International Standards on Auditing.

The onus is on the firm to ensure that, at the point it provides the audit files to ACCA for inspection, they contain all audit evidence and relevant documentation upon which it relied in formulating its audit opinion. It is not generally appropriate for ACCA to extend its inspection to, or for any Committee of ACCA to place reliance on, information that was not on the audit files at the time of the original inspection because of the risk that evidence might be generated after the event and in response to the deficiencies communicated to the firm during the monitoring review.

Audit documentation is not optional: it is an intrinsic and integral part of the audit process rather than something that simply follows it. Familiarisation with the common issues flagged in our [quarterly articles](#) should assist firms in assessing whether their audit files meet the required standard.

The **closing meeting**, either held at the end of an on-site review or on a pre-arranged date via Microsoft Teams if the review is undertaken remotely, is a vital step in the monitoring process. The SCO will present their findings explaining any deficiencies identified and allowing the practitioner to discuss and understand the issues raised. The SCO will also advise whether the review outcome is satisfactory or unsatisfactory and explain the next steps in the process. ACCA's approach to non-compliance with auditing standards is set out in the [Regulatory Board Policy Statement and Regulatory Guidance](#)

Following the closing meeting, the SCO will issue a report which includes the Appendix of Detailed Findings. This Appendix is designed to form the basis for the firm's action plan. The firm is required to identify and document the root causes of the deficiencies within the action plan and submit this to the SCO within 28 days. Guidance on how to complete the **action plan** will be issued with the report. The SCO will then review and assess the action plan and respond accordingly. It is important that sufficient time is given to this vital step in the process as the SCO may ask you to make improvements to your action plan if deemed unsatisfactory. And of course, firms are expected to implement the action plan and be in a position to provide evidence of the implementation if requested by ACCA.

Once the action plan is finalised, ACCA will determine the overall outcome of the review; the outcome is potentially subject to review by a committee independent of the compliance team. You will be notified of the outcome, together with the timing of the next monitoring review once this process is concluded.

Rule compliance monitoring

Firms that hold an audit certificate but don't have any audit clients are also subject to monitoring. These firms will be required to complete an audit eligibility and compliance review questionnaire which will be subject to ACCA review remotely. This will also form part of an audit monitoring review for those firms with audit clients. We have prepared a [Rule Compliance FAQ document](#) which should clarify any queries on this. There are also [factsheets](#) available which may be of use.

The compliance team will be hosting a webinar on 20 May 2024 providing an insight in to monitoring reviews following the morning's Audit Update webinar. This will go in to more detail regarding the practicalities of our reviews and the common issues identified as part of them.

Further course information can be found [here](#).

Next quarter we will look to revisit the [June 2023 root causes](#) article to see what changes, if any, have been observed by the team since then.