

ACCA audit monitoring reviews – quarterly update June 2025

This article focuses on the root causes identified by firms in relation to the issues raised during their audit monitoring reviews. Following on from our previous update on root causes, it is evident that many of the most common root causes identified in previous years still remain.

It is not only important to identify the root causes of the deficiencies but also to take the necessary steps to rectify these.

ROOT CAUSE ANALYSIS

The identification of the root causes is the key starting point to address any deficiencies raised, and to then develop actions to make improvements in the quality of audit work. From the root causes, actions are identified to remedy the root causes as well as the specific deficiencies identified in the audit files.

The most common root causes of deficiencies in audit work have largely remained the same over recent years. This perhaps indicates the challenge that most firms experience in dealing with issues such as recruitment and retention of staff, training, changes in auditing and accounting regulations.

Following the identification of the root causes, it is important to take appropriate action to address these. From a review of the monitoring findings, we have summarised below some of the most common actions that firms have identified to address the root causes.

COMMONALITY

The main root causes identified in the period to June 2025 are detailed below, alongside common remedies to address the root causes:

June 2025	Root cause	Remedy for root cause
1	Lack of training	<ul style="list-style-type: none"> ■ Seek an appropriate training provider to ensure adequate training is undertaken. ■ Ensure specific training is assigned on specialisms and this is monitored to ensure completed. ■ Run internal training sessions for staff. ■ Consider firm's ability to audit specialist clients. ■ Consider training requirements for each member of the audit team and ensure sufficient CPD and other training (internal, external or both) is provided. ■ Consider the requirement for specific CPD and training on specialist audit clients.
2	Overfamiliarity with the assignment	<ul style="list-style-type: none"> ■ Look to rotate senior staff across audit engagements. ■ Carry out hot and cold audit file reviews. ■ Ensure the permanent audit file is updated annually.

June 2025	Root cause	Remedy for root cause
3	Lack of technical knowledge	<ul style="list-style-type: none"> ■ Ensure that all staff are completing appropriate CPD courses during the year. ■ Ensure staff are fully trained in all relevant specialisms required on audit engagements. ■ Communicate findings from audit quality monitoring activities across the whole audit team to ensure knowledge is shared. ■ Undertake targeted training/discussion sessions with the audit team to highlight areas where a lack of technical knowledge has been identified.
4	Inadequate engagement partner review	<ul style="list-style-type: none"> ■ Ensure that audit files clearly evidence the direction, supervision and performance of the audit engagement by the audit partner. ■ The audit budget should build in a suitable amount of engagement partner review hours. ■ Engagement partner should demonstrate clearly on the audit file that significant/key risk areas have been reviewed by them.
5	Lack of application of professional scepticism	<ul style="list-style-type: none"> ■ Consider practical audit and personal skills training for all staff and partners on the need to always apply a questioning mind in significant audit areas requiring the application of professional judgments and critical assessment of audit evidence. ■ Update template files used to record audit work to ensure the application of scepticism is documented.
6	Lack of guidance and supervision by seniors	<ul style="list-style-type: none"> ■ Ensure there is sufficient staff resource at the right level to perform the audit, and ensure adequate review procedures at each stage. ■ Ensure appropriate guidance and supervision is offered to junior staff.
7	Lack of time available and partners/ staff heavy workload	<ul style="list-style-type: none"> ■ Upskill staff to allow delegation of responsibilities and further professional development. ■ Recruit additional experienced staff to reduce the workload. ■ Resign from clients to increase capacity for workload that has been retained.
8	Lack of capacity	<ul style="list-style-type: none"> ■ Review audit budgets to ensure the level of audit fee is sufficient to allow adequate time cost for the required levels of audit staff. ■ Consider firm's approach to taking on new clients. ■ Assess client portfolio to ensure that there is the right balance of expertise, capacity and profitability for the firm. ■ Recruit staff or use subcontractors.
9	Inexperienced staff	<ul style="list-style-type: none"> ■ Ensure additional review procedures by audit seniors to assess the work completed by junior staff. ■ Allow time for more detailed reviews. ■ Ensure appropriate training for inexperienced staff.
10	Inadequate quality controls procedures	<ul style="list-style-type: none"> ■ Ensure that the SOQM is tailored to be relevant to the firm's circumstances. ■ Ensure that the firm undertakes and documents the required ISQM1 annual evaluation. ■ Ensure the firm undertakes, on a regular basis, appropriate audit quality monitoring procedures and records the findings; uses this to identify root causes and actions to address any deficiencies identified; communicates with the audit team; and monitors the effectiveness of actions taken. ■ Assign ultimate responsibility to the appropriate person.

ACCA cannot stress enough the importance of appropriately identifying the root cause of any issues identified at an audit monitoring review and designing effective actions to address the root causes. These are critical to maintain an appropriate System of Quality Management and a fundamental part of the review process.

FUTURE WEBINARS

The ACCA Compliance team also host quarterly webinars designed to support practitioners in the UK and Ireland to supplement the contents of the quarterly articles. The next webinar is on 13 August 2025 12pm – 1pm where we will also be joined by a member of our AML monitoring team.

Audit monitoring webinars | ACCA

In addition, ACCA will be hosting an audit update and insight into monitoring reviews webinar on 22 September 2025 9.30am – 3.30pm which will provide an audit update in the morning session, followed by an afternoon session on common issues of audit monitoring reviews.

Audit update and insight into monitoring reviews | ACCA

Next quarter's practitioner article will focus on ethical considerations and the corresponding webinar will be on 12 November 2025 12pm – 1pm, where we will also be joined by a member of our Rule Compliance monitoring team.

ARTIFICIAL INTELLIGENCE (AI)

AI is fundamentally reshaping the accounting and finance profession. Understanding its implications and harnessing its true potential is critical for business survival. ACCA recently ran a free half-day AI conference 2025 (available on demand). The theme of our conference was Landing the AI opportunity. Join us as we delved into various key topics that will equip you with the skills and insights needed to navigate this transformative era with confidence.

AI Conference | ACCA

In addition, the Financial Reporting Council (FRC) recently released guidance on the use of Artificial Intelligence (AI) in audit, focusing on how firms can responsibly implement and document AI-enabled tools.

AI in Audit | ACCA