ACCA

Audit monitoring reviews
Root cause analysis update – June 2026

This quarter we are again focusing on the root causes identified by firms in relation to the deficiencies raised during their audit monitoring reviews for the period to June 2026. It is not only important to identify the root causes of the deficiencies found, but also to take the necessary, well-evidenced steps to rectify them.

The top ten root causes

The top 10 main root causes identified in the period to June 2026 are set out below. This list continues to highlight the ongoing challenge that most firms experience in dealing with issues such as recruitment and retention of staff, training, and changes in auditing and accounting regulations.

1 Lack of training

Why this occurs:
Audit and accounting standards change frequently – ISAs, ISQM1 and sector-specific rules – and firms, particularly smaller practices, can struggle to keep pace with the level of CPD investment required. Budget constraints and time pressure can push firms toward informal, on-the-job learning rather than structured training, and staff turnover means gaps recur even after being addressed.

How firms can deal with it:
- Create a structured annual training plan mapped to each team member's role and the risk profile of the client portfolio.
- Engage external training providers for technical or specialist areas the firm cannot cover internally.
- Reassess whether the firm should continue to audit clients that require expertise it cannot sustainably provide.

2 Lack of technical knowledge

Why this occurs:
This is distinct from a lack of training in that it concerns depth rather than frequency of learning. Standards such as ISA 315 (Revised), ISA 240 and the requirements around going concern have become increasingly complex, and staff may only encounter certain technical areas – for example group audits or complex financial instruments – infrequently, so knowledge does not become embedded.

How firms can deal with it:
- Maintain accessible internal technical guidance and checklists for less common but recurring issues.
- Communicate findings from internal quality reviews and external regulatory monitoring across the whole audit team, not only the engagement partner.
- Pair less experienced staff with technical specialists on complex engagements.

3 Overfamiliarity with the assignment

Why this occurs:
Long-tenured client relationships breed comfort. The same senior or partner may have run an audit for many years, prior-year assumptions are carried forward without fresh challenge, and close rapport with client management can dull professional distance and scepticism.

How firms can deal with it:
- Rotate senior staff and/or engagement quality reviewers across long-standing clients periodically, even where formal rotation rules do not strictly require it.
- Carry out 'cold' file reviews performed by someone with no prior involvement in the engagement, alongside 'hot' reviews before sign-off.
- Update the permanent audit file annually rather than rolling it forward unchanged.
- Actively challenge the prior-year audit approach and risk assessment rather than defaulting to it.

4 Lack of adequate engagement partner review

Why this occurs:

Partners are often stretched across too many engagements, and review can happen too late – only at completion – rather than throughout the audit. Time pressure during busy periods can also reduce review to a rushed sign-off exercise rather than substantive challenge, and review that does take place is not always evidenced on the file.

How firms can deal with it:

- Build engagement partner review into the audit timetable at each stage – planning, execution and completion – with dedicated, budgeted review hours.
- Require the audit file to clearly evidence the partner's direction, supervision and performance of the engagement.
- Demonstrate on the file that significant and key risk areas have been specifically reviewed by the partner.

5 Lack of application of professional scepticism

Why this occurs:

Professional scepticism is a mindset rather than a checklist item, which makes it hard to train and easy to erode under time pressure or familiarity with client staff. Auditors may accept management explanations at face value rather than corroborating them, particularly in judgement-heavy areas such as accounting estimates, going concern and related parties.

How firms can deal with it:

- Provide practical training on maintaining a questioning mind in areas requiring significant judgement and critical assessment of evidence.
- Update working paper templates to prompt explicit documentation of the evidence obtained to corroborate – not merely record – management's assertions.
- Encourage reviewers to challenge with questions such as 'what evidence contradicts this?' rather than only 'is this supported?'

6 Lack of guidance and supervision by seniors

Why this occurs:

Seniors are frequently under the same time pressure as the rest of the team and may be juggling multiple engagements, which can leave junior staff to work largely unsupervised. Supervision can also suffer where the senior lacks confidence in a technical area, or where firm culture prioritises after-the-fact review over real-time coaching.

How firms can deal with it:

- Ensure sufficient staff resource at the appropriate level to perform the audit, with adequate review procedures built in at each stage.
- Build in regular check-ins during fieldwork rather than leaving supervision to the final review.
- Train seniors specifically in supervisory and coaching skills, not only technical audit skills.

7 Lack of time available and partners'/staff heavy workload

Why this occurs:

This typically reflects a capacity-planning failure – too many clients relative to headcount – compounded by seasonal concentration of year-ends and by staff attrition, which leaves remaining staff absorbing an increasing workload.

How firms can deal with it:

- Upskill staff to allow delegation of responsibilities and support further professional development.
- Recruit additional experienced staff to reduce the workload on existing teams.
- Where workload is structurally unsustainable, consider resigning from clients to release capacity for the retained portfolio.

8 Lack of capacity

Why this occurs:

Related to workload but more structural in nature: audit fees may be too low to fund the staff time genuinely required, or the firm may have taken on more clients than it can properly service with the skilled resources available.

How firms can deal with it:

- Review audit budgets to ensure the fee level is sufficient to allow adequate time cost for the required levels of audit staff.
- Reconsider the firm's approach to taking on new clients.
- Assess the client portfolio to ensure the right balance of expertise, capacity and profitability.
- Recruit additional staff or engage subcontractors to supplement capacity.

9 Tight reporting deadlines

Why this occurs:

Client-driven pressure – for example group reporting deadlines – can force audit teams to compress fieldwork and review into unrealistic timeframes, increasing the risk of rushed judgements and reduced evidence-gathering. This is the newest entrant to the top ten root causes and reflects growing pressure from clients' own reporting timetables.

How firms can deal with it:

- Negotiate realistic reporting timetables with clients at the engagement letter stage, before deadline pressure arises.
- Build contingency time into the audit plan for late-arriving client information
- Communicate clearly to the client, and where relevant those charged with governance, when a deadline cannot be met without compromising audit quality.
- Track historical patterns of client-caused delays to inform future timetabling.

10 Inexperienced staff

Why this occurs:

Sector-wide recruitment and retention challenges mean firms are increasingly reliant on newer or less experienced staff, who are sometimes required to perform work above their current level of competence without sufficient safety nets in place.

How firms can deal with it:

- Build in additional review procedures specifically for work completed by junior staff, rather than applying a standard review approach uniformly.
- Allow realistic time budgets that reflect the lower initial efficiency of less experienced staff.
- Ensure appropriate, targeted training is provided for inexperienced staff, and pair them with more experienced colleagues on complex sections.

Conclusion

ACCA cannot stress enough the importance of appropriately identifying the root cause of any issues found at an audit monitoring review, and of designing effective, evidenced actions to address those causes. This is critical to maintaining an appropriate system of quality management and is a fundamental part of the review process.

Firms are encouraged to treat these root causes as interconnected rather than isolated – many of the causes affecting training, technical knowledge, supervision and staff experience trace back to the same underlying pressures on recruitment, capacity and fee adequacy, and a firm that addresses these at a structural level is likely to see improvement across several root causes at once.

Practitioner reminders

A number of common issues were identified by the authorisation team as part of the 2026 practising certificate renewals exercise. Therefore, please remind yourself of the importance of the below requirements:

Continuity of practice

All practitioners are required to make arrangements for the continuity of their practices (see Continuity-of-Practice-requirements.pdf). The continuity nominee must have the same authorisations and the competence and capacity to take on the work as nominee. For example, a statutory auditor should ensure that their continuity nominee holds this status in the relevant jurisdiction. Continuity arrangements must be confirmed in a written agreement.

Professional indemnity insurance

ACCA requires all holders of practising certificates and firms' auditing certificates to obtain a minimum level of insurance cover (see Professional-indemnity-insurance-requirements.pdf).

Notifications

Firms must comply with ACCA's Global Practising Regulations when notifying ACCA of a number of different events or changes to their practice (see Notification-requirements.pdf). Firms should not wait until the renewal exercise to notify us as this may be deemed a breach of the relevant regulation.

The ACCA Compliance team present a series of quarterly webinars designed to support practitioners in the UK and Ireland. The core focus of these sessions will be an overview by the audit compliance team of the most recent quarterly article. In addition, we will be inviting speakers from other teams to share their current activities.

Please register for the upcoming webinars on 9 September 2026 and 2 December 2026 and we'll look forward to speaking with you then.

Audit update and thematic findings from audit monitoring reviews

There is lots changing in the world of audit. Auditing standards continue to change and there's also a plethora of feedback from professional bodies to take on board. We will highlight all the important changes in this area and what auditors need to do to comply in a two-part session looking at auditing updates and common issues when conducting auditing reviews on 29 September 2026.