

ACCA audit monitoring reviews – quarterly update

As advised previously, the ACCA compliance team are continuing to capture the most common issues identified during recent audit monitoring reviews. Some of these will come as no surprise as they have been mentioned previously but the frequency with which they are arising warrants further inclusion. The below list is in no particular order:

AREA	ISSUE
Documentation (ISA 230)	<ul style="list-style-type: none"> • Work performed but not (adequately) recorded and / or explained. • No summary and evaluation of the results of audit tests to support the conclusion.
Fraud (ISA 240)	<ul style="list-style-type: none"> • No discussion with audit team or client. • No or inadequate review of journals. • No consideration of fraud risks specific to the client. • Not highlighting management override as a significant issue.
Identifying and assessing the risks of material misstatements (ISA 315)	<ul style="list-style-type: none"> • No testing of understanding of systems and controls via walkthrough tests and observation and enquiry. • No evaluation of the client's internal controls in relation to going concern. • Inadequate documentation of systems. • Inadequate documentation of key / significant audit risks eg management override; revenue recognition; related party transactions. • No preliminary analytical review.
Completeness and valuation testing (ISA 500)	<ul style="list-style-type: none"> • No attendance at stocktake and no or poor alternative procedures to test existence of stock. • Not appropriately assessing stock obsolescence. • Accepting third party evidence via the client. • Income and creditor testing not done outside of the accounting records to test for what's not there. • Recoverability of trade debtors and amounts owed from related parties not sufficiently reviewed. • Valuation of properties and title to properties at / after the year end not considered.

AREA	ISSUE
Going concern (ISA 570)	<ul style="list-style-type: none">• Insufficient formal appraisal on the appropriateness of management's use of going concern assumption.• Insufficient scepticism and challenge of management assumptions.• No consideration of validity of assumptions made by client.• Not obtaining cashflow forecast for 12 months from the date the financial statements are approved.

In addition, in this quarter we identified a number of deficiencies in relation to Ethical Standards (ES) and ACCA's Code of Ethics and Conduct (CEC) on independence. In particular not identifying a long association with a client or the impact of the provision of non-audit services to a client, together with a poor explanation and / or insufficient safeguards being put in place. We will focus on these deficiencies next quarter.

With regards to upcoming monitoring reviews, we will be looking to ensure that firms have appropriately implemented ISQM1 and 2 together with the revised ISA 220 Quality Management for an Audit of Financial Statements which came in to 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.

Further information can be found at <http://www.iaasb.org/focus-areas/quality-management> and in ACCA's December 2022 edition of [In Practice](#).