

## ACCA audit monitoring reviews – quarterly update

The June 2023 article [Practice monitoring | ACCA Global](#) focussed on the root causes identified by firms in relation to the issues raised during their audit monitoring reviews. Twelve months on we wanted to provide an update on these root causes and continue to flag, not only the importance of identifying the root causes of the deficiencies but also then taking the necessary steps to rectify these.

### ROOT CAUSE ANALYSIS

The root cause analysis forms a fundamental part of ACCA's audit monitoring reviews. Following an audit monitoring review, where deficiencies are found in the firm's audit work, ACCA requires the firm to produce an action plan which sets out how the firm intends to improve its procedures and remedy the deficiencies found.

It is therefore important that the action plan demonstrates that the deficiency, its root cause and how to prevent recurrence, have been understood and the action plan is sufficiently detailed to enable ACCA staff to assess the likely effectiveness of the planned improvements.

Root cause analysis (RCA) is a process for identifying the causes of problems or events in order to prevent them from recurring. ACCA will provide further guidance on possible RCA techniques when the monitoring review report is issued. There is also a lot of support available through independent websites.

Following a review of the action plan, the Senior Compliance Officer undertaking the review will summarise in the closing letter the main three root causes that have been identified by the firm. It is important that a firm monitors how effective the implementation of the action plan is in addressing the root causes identified as ACCA may request evidence of implementation of the action plan.

### COMMONALITY

The June 2023 article compared the most common root causes identified by firms on audits mainly completed pre-COVID (December 2020) and June 2023. We have continued this analysis to June 2024 and include an update on the main root causes below.

There is considerable crossover between the most common root causes identified across the three periods, meaning that many of the issues previously identified still remain. You will note that the top three root causes remain the same, although their rankings may differ. In our analysis these three root causes are by far the most common and are certainly the ones that firms should be considering on an on-going basis.

Given the common themes coming through, we recommend practitioners utilise ACCA's CPD resources [Find CPD resources | ACCA Global](#), in particular the audit update webinars and the audit monitoring insight webinar hosted by the Senior Compliance Officers.

DECEMBER 2020	JUNE 2023	JUNE 2024
1 Lack of technical knowledge	1 Overfamiliarity with the assignment	1 Lack of training
2 Overfamiliarity with the assignment	2 Lack of technical knowledge	2 Lack of technical knowledge
3 Lack of training	3 Lack of training	3 Overfamiliarity with the assignment
4 Inadequate engagement partner review	4 Lack of capacity	4 Inadequate engagement partner review
5 Lack of application of professional scepticism	5 Inadequate engagement partner review	5 Lack of application of professional scepticism
6 Time pressure	6 Lack of application of professional scepticism	6 Lack of resource
7 Inexperienced staff	7 Lack of guidance and supervision by seniors	7 Lack of guidance and supervision by seniors
8 Lack of resource	8 Inexperienced staff	8 Time pressure

At the lower end of the table there is a little more movement. Although if we were to extend the table beyond the top eight, we would see that inexperienced staff (ranked number 8 in 2023) now sits in joint 10th position with lack of capacity (ranked 4th in 2023).

In addition, we have a new entry at number 9 with the root cause “unwilling or unable to supervise, complacency” featuring more frequently in the last 12 months. In the instances where this has been identified as the root cause, there has also been overlap with other root causes. For example, a firm was over-reliant on a new senior member of the audit team who ultimately was not as experienced as they had claimed. The practitioner did not provide sufficient guidance / supervision which could also be linked to not having sufficient time and/or resource. This is a prime example of how many of the root causes do overlap and therefore a firm needs to drill deeper to ensure they are identifying the most appropriate root cause.

The June 2023 article provided further actual examples of how firms had responded to their root causes. These examples were obviously tailored to the individual audit issue raised at a specific firm and therefore the example action plan responses were not designed to be directly relevant to another firm. However it may be worth considering these examples, particularly if you have a monitoring review due, as it demonstrates the level of reflection and detail required within the action plan.

We intend to issue a further ISQM article next quarter. However it is worth stressing the importance of this in relation to the identified root causes. ISQM 1 paragraph 14 requires the firm to establish and maintain a system of quality management to provide it with reasonable assurance that:

(a) The firm and its personnel fulfil their responsibilities with professional standards and applicable legal and regulatory requirements and conduct engagements in accordance with such standards and requirements:

and

(b) Reports issued by the firm or the engagement partner(s) are appropriate in the circumstances.

The design, implementation and operation of the system of quality management enables the consistent performance of quality engagements by providing the firm with reasonable assurance that the objectives of the system of quality management, stated in paragraph 14(a) and (b), are achieved.

The action plan itself will require the firm to explain in detail the changes and improvements to its system of quality control. The firm will need to review the deficiencies reported by ACCA and the root causes subsequently identified by the firm (including, but not limited to, deficiencies arising due to weaknesses in quality management procedures at the engagement level [ISA 220]) to identify what further action needs to be taken.

**If you would like to provide suggestions for future topics, please complete this short [survey](#).**