ACCA Think Ahead

ACCA audit monitoring reviews – quarterly update – Completeness

This quarter we're focusing on completeness – assessing the management's assertion that all business events to which the company was subjected were recorded; that all reported asset, liability, and equity balances have been fully reported; and that all transactions that should be disclosed have been disclosed.

It is a common issue that has been flagged in previous articles but one that remains significant. In particular, ISA 500 Audit Evidence requires sufficient audit evidence to support the auditor's opinion and report and ISA 240 Fraud Audit is designed to assist the auditor in identifying and assessing the risks of material misstatement due to fraud and in designing procedures to detect such misstatement.

In order to test completeness, the procedure should start from the underlying documents and check to the entries in the relevant ledger to ensure none have been missed. It should also consider overstatement.

Summarised below are some common deficiencies that we've raised in recent monitoring reviews together with points that could be considered – this is by no means an exhaustive list as different considerations will be needed for each and every client.

Sales testing samples selected from nominal reports, rather than originating documentation **CONSIDER:** taking samples from sales orders or till rolls	**Sales testing samples calculated as low risk, despite revenue recognition being identified as a key risk** **CONSIDER:** the original risk assessment done at planning stage. Include justification of risk level on sampling form	**Sales testing restricted to reviewing the sequential numbering of invoices (effectively confirming that the accounting system can count) instead of ensuring that all sales are recorded on the system** **CONSIDER:** the accounting system(s) used and how they reconcile. Refer back to originating documentation	**Credit notes and after date recoverability not checked therefore revenue could be overstated** **CONSIDER:** review y/e debtors to post y/e bank statements and for any credit notes raised
No delivery notes or sales orders kept by the client but no alternative audit procedures have been identified **CONSIDER:** identifying sales from stock outwards movements. If the client has a continuous stock system or purchase records if specific items can be identified	**Turnover reconciliation – relying on reconciling sales to VAT returns to confirm the completeness of income** **CONSIDER:** reviewing which assertions and financial statement areas are being confirmed through this test	**No testing of completeness of bank balances by the performance of alternative procedures when bank letters not available** **CONSIDER:** Watching the client logging into their online banking system to identify whether the client has any bank accounts that you were not previously aware of	**Trade creditors tested to invoices (testing validity) instead of reviewing for what hasn't been recorded** **CONSIDER:** Reviewing after date payments and after date purchase invoices to identify unrecorded creditors
Items not considered as they are deemed immaterial and the cumulative effect not considered **CONSIDER:** whether the balance as a whole is material	**The value of the item is not material and therefore considered low risk, but no assessment of what's not included which may be material** **CONSIDER:** whether there is a risk of unrecorded balances - completeness testing needs to consider what's not there, rather than what is	**Lack of review of the revenue recognition policy and therefore limited consideration of risks** **CONSIDER:** reviewing the client's accounting policies as part of the risk assessment process, to assist in identifying risks, and again during testing, to identify whether the policy is both in line with accounting standards and being followed	**Overreliance on firm's audit manual removing auditor's judgement and consideration of the risks identified on the audit** **CONSIDER:** identify matters specific to the client at planning stage, and where judgement is required during the audit work, whether the matters considered; the evidence obtained (both for and against)

With audit quality at the forefront of our monitoring reviews, next quarter we will be summarising key pointers in relation to our recent findings.