



Key principles	
REVENUE WORK PROGRAM	
	To assess whether the auditor: - Adequately identified and assessed the RoMM (whether due to fraud or error) at the assertion level for the Revenue FSLI / CoT; - Designed and implemented appropriate responses to the above risks; and - Obtained sufficient appropriate audit evidence regarding these risks.
Key conclusions	
On completion of procedures in this area, does the inspection team believes that the auditor	
1	Adequately identified and assessed the RoMM (whether due to fraud or error) at the assertion level for the Revenue FSLI / CoT?
2	Obtained sufficient and appropriate audit evidence through an appropriate combination of TOE of relevant controls and substantive procedures in response to identified RoMM?
Definitions and List of Acronyms	
D&I	Design and implementation
FSLI CoT	Financial Statement Line Item Class of Transactions
GITC	General Information Technology Controls
Incoterms	International commercial terms (nb: Incoterms® rules 2010 of the International Chamber of Commerce can be consulted in a summarized form on the following website (www.iccwbo.org))
IPE	Information Provided by the Entity
RoMM	Risks of Material Misstatements (whether due to fraud or error): the risk that the financial statements are materially misstated prior to audit. This consists of two components, described as follows at the assertion level: - Inherent risk – the susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls; - Control risk – the risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure, and that could be material, either individually or when aggregated with other misstatements, will not be prevented or detected and corrected, on a timely basis by the entity’s internal control.
SoD	Segregation of Duties
SR	Significant Risk
TOE	Test of Operating Effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level
TCWG	Those Charged With Governance

Examples of common inspection findings on Revenue are given in **Appendix 3**.



Step	Test objective	Reference	Inspection procedures
Risk assessment considerations for the Revenue FSLI / CoT			
1	<i>Understanding of the entity's operations and business processes</i>	ISA 315.5-6 ISA 315.11	1A. Ensure that the auditor gained a sufficient understanding of the entity's operations and its business processes that affect revenue , allowing him to adequately identify and assess the RoMM at the assertion level for the Revenue FSLI / CoT.
	<i>Risk of fraud in revenue recognition</i>	ISA 315.28a ISA 240.26 Regulation 537/2014 Article 7	1B. Ensure that the auditor adequately evaluated which types of revenue, revenue transactions or assertions give rise to RoMM due to fraud .
	<i>Controls that are relevant to the audit</i>	ISA 315.12-15 ISA 315.20 ISA 315.29-30 ISA 315 A.49-87 & A93-102	2A. Ensure that the auditor adequately identified the controls that are relevant to the audit of the revenue process and evaluated the D&I of these relevant controls in order to assess the RoMM at the Revenue FSLI / CoT level. When doing so, assess whether: (i) the auditor obtained a sufficient understanding of the components of internal control ; (ii) the procedures completed for evaluating the D&I of the relevant controls are not limited to inquiries of the entity's personnel; and (iii) the auditor understood, updated and evaluated the key changes made by the entity since the previous audit and how they were approved, communicated, implemented and monitored.
	<i>Understanding of the information systems relevant to the Revenue FSLI / CoT</i>	ISA 315.18-19, 21, A.89-95 & A.103-105	2B. Understand, update and evaluate the work performed regarding the information system relevant to the revenue process. This work performed by the auditor shall include: (i) an up to date insight about the IT organization (e.g. chart, IT-governance structure) and overall assessment of the design, in particular how the IT organization is embedded within the overall organization; (ii) the identification of main and relevant IT systems / applications involved in the Revenue FSLI / CoT: - understanding of how information is recorded in the relevant systems, transferred from one system to another one, transformed in accounting records; - adequate audit procedures related to access and security, change management and incident management; and - verification that SoD between sub-processes are adequately reviewed (order, delivery, accounting and collection). (iii) a conclusion on the proper assessment and audit approach in adequacy to the complexity of the IT environment and volume of transactions; and (iv) the identification of all key reports produced by the IT systems which are relevant for the auditor in gaining a reasonable assurance over the revenue FSLI / CoT.
	<i>Identification and assessment of RoMM</i>	ISA 315.25-28	3. Conclude on the appropriateness of the auditor's identification and assessment of RoMM at the assertion level for the Revenue FSLI / CoT, including the identification of: - SR that require special audit consideration; and - Risks for which substantive procedures alone do not provide sufficient appropriate audit evidence (notably high volume and/or highly automated transactions).
	<i>Risk of fraud in revenue recognition</i>	ISA 240.26 and 47	4. In case the auditor rebutted the presumption that there are risks of fraud in revenue recognition , make sure that this position is appropriate under the specific facts and circumstances of the engagement and adequately justified and documented.
	<i>Terms and conditions of complex sales contracts</i>	ISA 315.11(c) ISA 315.5-6	5. Ensure that the auditor gained a sufficient understanding of the terms and conditions of any complex sales arrangements and their impact on the accounting records (including, but not limited to, determining whether revenue are recorded in the appropriate period).
Assurance gained through control reliance / TOE			
2	<i>Operating effectiveness of relevant controls</i>	ISA 330.10(a) & A26-29 ISA 330.11-15 & A32-39	1. Assess whether the auditor adequately evaluated the operating effectiveness of the relevant controls being tested . Pay particular attention to whether: (i) procedures performed are not solely based on inquiries; (ii) the timing attribute (including rotation considerations) and sample size considerations of the TOE are adequate; (iii) the auditor adequately assessed the severity of control deficiencies; and



Step	Test objective	Reference	Inspection procedures
	<i>Indirect controls</i>	ISA 330.16-17 & A40-41	(iv) the auditor responded to the control deficiencies and deviations in an appropriate manner.
	<i>Reliance on the work of others</i>	ISA 330.10(b) ISA 330.A30-31	2. When the controls to be tested depend upon other controls (indirect controls like GITC or controls over IPE), ensure the auditor adequately assessed whether it is necessary to obtain audit evidence supporting the operating effectiveness of those indirect controls.
	<i>Reporting of significant deficiencies</i>	ISA 402.16-22 ISA 610.15-25	3. Ensure adequate considerations have been made as part of the control procedures when the auditor intends to place reliance on the work of others (for instance when another auditor tested controls at a service organization (<i>LINK ISA 402</i>), when the auditor uses the work of the internal auditor (<i>LINK ISA 610</i>) or in the context of a group audit (<i>LINK ISA 600 WP</i>))
		ISA 265.6-11 and A5	4. Evaluate whether the auditor has determined that identified control deficiencies individually or in combination constitute significant deficiencies and whether these significant deficiencies have been reported in writing to TCWG and management (<i>LINK ISA 265</i>).
Assurance gained through substantive audit procedures			
3	<i>Sufficiency and appropriateness of substantive audit procedures implemented in relation to the RoMM arising from Revenue</i>	ISA 330.25-27, A.16 ISA 500.9 ISA 520.5 & 7, A8 ISA 530.6-8, 15 IFRS 15.31 & 39-45 ISA 330.25-27, A.16 IFRS 15.31 & 39-45	1. Assess whether the audit procedure(s) performed by the auditor has (or have) been adequately implemented in order to obtain sufficient and appropriate audit evidence to support the revenue recognized or disclosed in the financial statements, especially: a. When data analytics have been used to test revenue, consider whether the auditor adequately assessed the need for involving the audit firm's own data analytics specialists to assist with this work; b. Where the auditor has used sampling techniques to test revenue, consider whether both the size of the sample and method of selection are likely to contribute to the level of assurance being sought from the sample tested; c. Where the auditor has used substantive analytical procedures to test revenue streams, consider whether the expectations developed are suitably precise to identify a misstatement and whether the investigation of results has been adequately corroborated with management; d. Where a business has significant seasonal trading / specific or complex Incoterms, consider whether the auditor has performed sufficient and appropriate procedures to address these risks (including any cut-off issues); and e. Where a significant revenue transaction has occurred outside the normal course of business, consider whether the auditor has adequately evaluated the rationale for and nature of the transaction and performed appropriate procedures to test the transaction. 2. For complex revenue transactions which are subject to management judgement, consider whether the auditor has adequately assessed and challenged the appropriateness of the judgements and demonstrated sufficient professional skepticism (for example, where management judgement is used to determine the recognition of revenue on a long-term contract).
Sufficiency and appropriateness of audit evidence collected in response to the identified RoMM for the Revenue FSLI / CoT			
4	<i>Audit evidence addressing the RoMM arising from the Revenue FSLI / CoT</i>	ISA 240.26 ISA 330.5-7, 18-19, 21, A42-A43 ISA 500.6 ISA 250.11 Regulation 537/2014 Article 7	1. Evaluate whether the nature and extent of the implemented audit responses are appropriate and responsive to address identified RoMM over the Revenue FSLI / CoT. More particularly, assess whether: (i) the extent of control testing (including IT controls) is sufficient and appropriate; (ii) the audit responses include sufficient and adequate procedures for gaining a reasonable assurance over the accuracy and completeness of the IPE used by the auditor; (iii) the performed substantive audit procedures are sufficient and adequate based on (a) the level of assurance gained over the operating effectiveness of internal controls and (b) the circumstances of the engagement; and (iv) the auditor performed substantive procedures that are specifically responding to the identified significant risks, including any risks of fraud in revenue recognition. 2. When the auditor of a PIE suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the audited entity, may occur or have occurred, ensure whether he or she informed the audited entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future.



Step	Test objective	Reference	Inspection procedures
Audit report and disclosures related to revenue			
5	<i>Adequateness of disclosures related to Revenue made in the financial statements, and where relevant in the audit report</i>	ISA 330.24 ISA 701.9-17 Regulation 537/2014 Article 10.2 & 11.2	1. Evaluate that the auditor adequately assessed whether disclosures in the financial statements related to revenue are in accordance with the applicable financial reporting framework. 2. Evaluate that the auditor adequately determined whether SR in relation to revenue have been adequately addressed in the audit report and in the additional report to the audit committee and that the disclosures are adequate.