



Audit Wales

QUALITY ASSURANCE REVIEW 2020 EXECUTIVE SUMMARY

Scope

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England & Wales (ICAEW) undertook an independent quality assurance review of the financial audit work carried out by Audit Wales (AW) in accordance with the terms of the contract between ICAEW and AW dated 20 October 2020.

The scope of our work is set out in the contract and this was our seventh review at AW. Our work focuses solely on financial audits carried out by the AW financial audit practice and does not cover other activities of AW or audits contracted out to private sector firms.

In accordance with the contract, we reviewed two financial audits to assess the quality of audit work and compliance with clarified International Standards on Auditing (UK) (ISAs), APB Practice Note 10 (PN10) and the AW Code of Audit Practice (the Code). Our reviews include a review of the financial statements, audit planning, reporting, completion and principal areas of risk.

In addition, we undertook two thematic reviews covering:

- Consideration of going concern in Welsh Government companies; and
- Use of service organisation assurance reports for a sample of health body audits.

Summary

Quality of audit work

Audit work on the two files we reviewed was of a generally acceptable standard. The key issues identified on both files related to a need to consider the risk of fraud and error in expenditure, due to public bodies generally being net spending bodies, and ensuring that where substantive procedures are performed at an interim date, audit teams undertake adequate testing of the remaining period to ensure that there is a reasonable basis for extending the audit conclusions from the interim date to the period end. These findings appear to be AW office-wide rather than audit specific.

We also identified some other aspects on these audits where there is scope for some improvement, but these findings did not detract significantly from the overall quality of the audits.

Thematic reviews

There were areas for improvement arising from both thematic reviews undertaken, with a need for a more explicit consideration of going concern in a corporate context for the Welsh Government companies and a greater standardisation of documentation in relation to the service organisation outputs to ensure that local audit teams had undertaken and documented the additional work required in each instance.

Adequacy of response to matters we raised

AW has accepted the matters we raised in our current visit and its response sets out details of actions to address them.

Overall conclusion

The files we reviewed demonstrate that generally acceptable levels of audit quality continue to be achieved, with the key areas needing improvement appearing to be AW office-wide rather than audit specific.

A handwritten signature in black ink, appearing to read 'T. Smith', is positioned above the typed name and title.

Trevor Smith
Director, Quality Assurance
Institute of Chartered Accountants in England & Wales
18 May 2021