



# WALES AUDIT OFFICE

## QUALITY ASSURANCE REVIEW 2018 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 the Wales Audit Office (WAO) in accordance with the terms of the contract between ICAEW and WAO dated 15 November 2016.

The scope of our work is set out in the contract and this was our fifth review at WAO. Our work focuses solely on financial audits carried out by the WAO financial audit practice and does not cover other activities of WAO 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 WAO Code of Audit practice (the Code). Our reviews include a review of the financial statements, audit planning, reporting, completion and principal areas of risk.

We also considered WAO's review of its whole firm/ISQC1 policies and procedures. We have not carried out any detailed testing of whole firm procedures. We also provided some update training to WAO's cold file review team prior to WAO undertaking its cold file reviews.

### Summary

#### Quality of audit work

Audit work on the two files we reviewed was of a generally appropriate standard, but with some specific areas for improvement noted on both files. We identified some isolated areas where audit teams should have obtained better audit evidence on both files. We identified a material misclassification of the comparatives in the group financial statements for one file due to a failure to amend the comparatives for a change in accounting treatment. This omission did not have any impact on the overall surplus/deficit.

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. We also noted some specific points indicating that there may be some scope to improve the efficiency of the audits. We also highlighted some minor aspects of the financial statements for both files where there is scope to improve the quality of some disclosures.

WAO's cold file reviews were not complete at the time of our visit, so we are unable to comment on overall consistency or whether WAO has an effective mechanism for internal monitoring of audit quality.

### **Whole firm policies and procedures**

WAO has updated the detailed matrix it uses to capture its whole firm policies and procedures and periodic testing. We reviewed this update and we do not have any significant matters to raise. WAO explained that it intends to replace the matrix with separate documents covering policies and procedures, action plan and three year testing programme to improve clarity. We also understand that WAO intends to produce a quality report jointly with performance audit in 2019. This will provide a useful mechanism for reporting the results of testing and progress against the action plan.

### **Adequacy of response to matters we raised**

WAO's actions in response to our findings in previous years at the engagement level have been largely effective and the results of our file reviews this year continue to demonstrate this.

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

### **Overall conclusion**

WAO continues to demonstrate a high level of commitment to audit quality standards and the files we reviewed demonstrate that generally appropriate quality levels are being achieved, but with some specific areas for improvement noted on both files. WAO has continued to develop its monitoring of whole firm policies and procedures and plans further development in this area in the year ahead.

Trevor Smith

Regional Director

Quality Assurance Department

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