

# WALES AUDIT OFFICE



## QUALITY ASSURANCE REVIEW 2017 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 & Ireland) (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. At the request of WAO, we reviewed a small sample of appraisals to assess how well audit quality considerations were addressed and reviewed WAO's internal whistleblowing policy.

WAO asked us to carry out a focused review of one of its internal cold file reviews to assess the adequacy of file review arrangements and changes to its review approach in the current year. At the time of our visit, WAO's cold file reviews were not complete, so we will finalise our assessment and provide some feedback training to WAO's cold file reviewers later in 2018, ahead of the next round of WAO cold file reviews.

### Summary

#### Quality of audit work

Audit work on the two files we reviewed was of an appropriate standard. We did not identify any significant concerns regarding the quality of audit work or adequacy of audit evidence. We identified some isolated 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 that there may be some scope to improve the efficiency of the audits through a stronger focus on risks, materiality and the nature and amount of work performed in some areas where the risk is low or the balances are relatively small.

WAO's cold file reviews were not fully complete at the time of our visit, so we are unable to comment on the consistency of findings or whether WAO has an effective mechanism for internal monitoring of audit quality. We understand that the conclusion from WAO's current reviews is a positive one which is similar to the results of our reviews.

### Whole firm policies and procedures

WAO has carried out a review of its ISQC1 policies and procedures in 2017 and performed testing in some areas. We have reviewed the detailed matrix document that WAO uses to summarise its ISQC1 compliance and testing and we concluded that WAO has suitable policies and procedures in place to meet the requirements of ISQC1 and that its testing process is appropriate to assess and confirm the operation of its policies and procedures. WAO's review noted some areas where further development of policies and procedures is required or where testing indicated a need for some follow up action. WAO should take steps in 2018 to address these points.

We did not have any observations or recommendations to make from our review of WAO's whistleblowing policy or our review of a small sample of appraisals. We noted that generally, audit quality considerations were better reflected in the documentation compared to the sample we saw in the previous year.

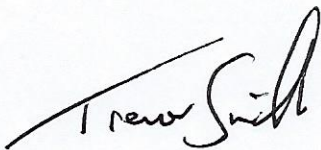
### Adequacy of response to matters we raised

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 made significant progress in reviewing and testing its whole-firm procedures, which now provides a basis for some further development and continued testing in the years ahead.

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 appropriate quality levels are being achieved. WAO has developed its whole firm policies and procedures and process for testing them.



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