



WALES AUDIT OFFICE QUALITY ASSURANCE REVIEW 2015 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 9 January 2013.

The scope of our work is set out in the contract and this was our third 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 three 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 carried out a brief review of WAO progress in implementing actions required to address the requirements of International Standard on Quality Control (UK & Ireland) 1 (ISQC1). We did not review any detailed aspects of whole firm procedures this year.

SUMMARY

Quality of audit work

Audit work on two of the three files we reviewed was generally of an acceptable standard with no significant concerns about the quality of audit evidence and only isolated areas requiring further improvement. On the third file we identified some more significant areas for improvement concerning the quality of audit evidence for network assets, grant expenditure and procedures following the reissuing of the audit report.

On balance, the overall quality of audit work that we have reviewed has improved compared to the previous two years. We found examples, including adequacy of substantive analytical review, which demonstrate that audit teams have specifically sought to address matters we have raised in previous reports.

WAO had not completed all of its cold file reviews of 2014/15 audits at the time of our visit and therefore, we are unable to comment on whether our findings are consistent or whether WAO has an effective mechanism for internal monitoring of audit quality. WAO intends to introduce an updated process for cold file review for 2015/16 audits so assessing its effectiveness is something that should be undertaken in a future review.

Whole-firm policies and procedures

WAO has been taking action to address the findings from our previous reports, although progress has not been as rapid as planned last year. In particular, WAO did not implement our

recommendation that it should carry out a whole firm testing programme in 2015. A programme is under development now and completion of this testing should be a key priority for 2016.

WAO's cold file review programme ran behind schedule in 2014 and again in 2015. We understand that WAO is establishing a dedicated team of reviewers, as it had planned to do in 2015, and aims to improve the timeliness of reviews. We recommend that WAO makes this a key priority for 2016.

Adequacy of response to matters we raised

WAO has carried out many of the actions it planned to take in response to our findings in previous years at the engagement level and the results of our file reviews this year demonstrate this. However, WAO has not carried out some key actions it planned to relating to developing its programme for cold file reviews and whole firm testing during 2015. This may be due, in part, to resource constraints, identified as an issue in the past and a change of plan regarding the use of some external resource to provide assistance in this area.

WAO has accepted the matters we raised in our current visit and its response sets out details of actions to address them, as well as addressing outstanding areas from our previous visits.

Overall conclusion

WAO has made good progress in addressing the issues we have previously identified at the engagement level and continues to demonstrate a commitment to improving audit quality. However, it has made insufficient progress in 2015 regarding improvement to its cold file review process and establishing and conducting a programme of testing for whole firm procedures. These should remain key priorities for 2016.



Trevor Smith

Regional Director

Quality Assurance Department

Institute of Chartered Accountants in England & Wales

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