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2008
Our ref 28.11.08 LS SE
SL ISA 700
Pages 1 of 2

Dear Steven

**ISA (UK and Ireland) 700 'The Auditor's Report on Financial Statements
(Revised)**

The Auditor General for Wales welcomes the opportunity to comment on the proposed revisions to ISA (UK and Ireland) 700 'The Auditor's Report on Financial Statements. This response has been prepared on behalf of the Auditor General by the Wales Audit Office.

We have set out below our comments in relation to question 1, the general invitation to comment and have set out in the attached appendix responses to the more detailed consultation questions.

We welcome the initiative to make the auditor's report more concise and focused and believe that this will serve to improve the understandability of the auditor's report. We are concerned however that the proposed example statements run to six or seven pages which is considerably longer than the section which would be removed from the auditor's report. This will cause considerable difficulties where it is necessary to maintain a large number of example statements (see below) and could lead to pressure to increase the level of disclosure in the auditor's report itself, which is obviously counter to the intention of the exposure draft.

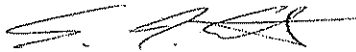
As we have identified in response to question 3, there would potentially be a need for a large number of example statements to be maintained to take account of the different legislative frameworks that apply to public sector bodies (approximately 25 in the case of Welsh devolved bodies alone). The level of work that would be entailed

in maintaining these statements is such, in our view, as to render impracticable for the public sector the proposal to allow cross referral.

The APB should therefore consider whether more generically worded statements could be developed that would accommodate the wide range of statutory frameworks that govern financial reporting and auditing in the public sector.

I hope that you find these comments useful, but should you have any queries regarding our response, please contact my colleague Terry Jones by telephone (07919057418) or e-mail (terry.jones@wao.gov.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Edge', written over a horizontal line.

Simon Edge
Partner

ISA (UK and Ireland) 700 ‘The Auditor’s Report on Financial Statements (Revised)’

Consultation Question	WAO Response
<p>2. Do commentators support APB’s proposal of describing the auditor’s responsibilities and the work an auditor typically performs by either:</p> <p style="margin-left: 20px;">a) cross referring to standard paragraphs maintained by the APB on its web site; or</p> <p style="margin-left: 20px;">b) including a description in the auditor’s report itself?</p>	<p>We support the broad principle that allows the auditor the flexibility to refer to standard wording on the APB web site rather than needing to include it in all auditors’ reports.</p>
<p>3. On pages 41 and 42 the APB sets out a schedule of the range of example statements that it presently intends to post to its web site. Are there any other examples that you believe it is imperative the APB should post to its web-site?</p>	<p>For this approach to be successful, it is important that auditors of all entities are able to take advantage of the proposal. We have confined our attention to bodies operating within the devolved Welsh public sector and would highlight the need for example statements to be additionally included for the following bodies:</p> <ul style="list-style-type: none"> • NHS bodies in Wales. • Assembly Government and its sponsored and related bodies. As the majority of these bodies are audited in accordance with the specific legislation that established the body, it would be necessary for a statement to be prepared for each of these individual bodies (this would entail approximately 20 individual example statements). • Welsh local government bodies. • Higher and further education colleges. • Probation boards. • Whole of Government Accounts.
<p>4. In addition to the need for the APB to develop and maintain current examples relating to a number of different types of entity what other practical difficulties do you think might arise from the APB’s proposed approach?</p>	<p>None</p>
<p>5. Is the wording of paragraph 18 in the Exposure Draft of the proposed ISA (UK and Ireland) 700 (revised) sufficiently generic to apply to entities that are required to be audited? (In this regard more detail concerning the legal framework applicable to a particular type of entity will be provided in the applicable example “Statement of the scope of an audit</p>	<p>Yes, except that the audit opinion for local government bodies is currently expressed in terms of ‘presents fairly’. The 2008 Local Government SoRP has proposed that a ‘True and Fair’ opinion is used in local government in future. However, a change in legislation will be required to allow this and the consultation on this change has not yet commenced in Wales. If the local</p>

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<p>and the auditor’s responsibilities”). If not please describe any concerns.</p>	<p>government opinions are not changed, we would suggest that paragraph 18 should similarly include ‘presents fairly’ alongside ‘true and fair’ presentation.</p>
<p>6. Do you agree that it is logical for the references to the “true and fair view” to be the final element in the auditor’s opinion on the financial statements? If you disagree what would your preference for ordering the elements?</p>	<p>There is a counter argument that including the “true and fair view” as the final element may be regarded as relegating its importance below the other elements.</p> <p>Ultimately, we consider that each of the opinion elements needs to be read in conjunction with the others to obtain a full understanding of the auditor’s overall opinion, and that therefore the ordering of the individual elements is not important.</p>
<p>7. Please provide any comments that you may have on the steps set out concerning the APB’s proposed course of action and the proposed timing of those steps (see pages 5 and 6)? Are there any other actions that you believe the APB should be taking?</p>	<p>There is the potential for confusion with clarity ISAs being published for adoption by the IAASB for accounting periods after December 2009. We would suggest that the revised ISA (UK & Ireland) 700 have a commencement date in line with the clarity ISAs.</p>