MAZARS BENCHMARK ON KEY AUDIT MATTERS

New Auditor's Audit Report under ISA

Mazars Fact Sheet – March 2016



OVERVIEW

Mazars carried out a study on the Key Audit Matters embedded in the auditor's report (2014 and 2014/2015 reports) for FTSE 100 companies in the UK.

This document is a complement to the Mazars Fact Sheet on the New Auditor's Report, available on our Mazars website: <u>http://www.mazars.com/Home/News/Our-publications/Mazars-Fact-sheet/Overview-of-The-new-auditor-s-audit-Report</u>

OUR STUDY ON KEY AUDIT MATTERS

Why UK audit reports?

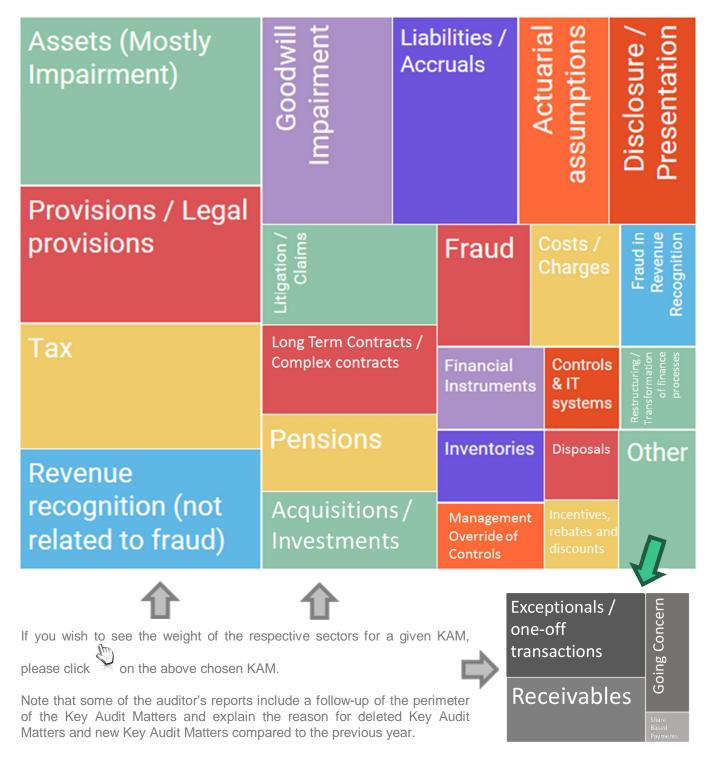
The UK has anticipated the changes embedded in the new auditor's report and adopted a new standard on the auditor's report in 2013. The reading of the 2014 audit reports of UK listed entities (especially FTSE 100 companies) provides an insight into what is expected in terms of communication in the new auditor's report according to the ISAs for the audit reports on the 2016 financial statements.

Note that the UK regulation goes even beyond the obligations of the ISAs: for example, the UK auditors have communicated in their auditor's reports on materiality and scoping considerations for group audits, which is not required by the ISAs.



GENERAL OVERVIEW OF THE KEY AUDIT MATTERS

The Key Audit Matters found in the above mentioned audit reports deal with the following topics (size of the box proportional to the number of occurrence of the topic):



For the purpose of a clearer analysis in this document, we have grouped the sub-sectors used in the accompanying Excel chart into 11 sectors.

If you wish to see the weight of KAM for a given sector, please click Y on the below chosen sector:

Sectors used in the present document

Construction / Real estate

Consumer goods

Financial services

Information / Media / Publishing / Consulting / Education

Leisure / Accommodation

Manufacturing - Other

Medical / Pharmaceuticals / Chemicals

Raw material / Energy / Utilities

Retail

Security / Military

Services - Other

Sub-Sectors used in the accompanying Excel document

Building materials Property Beverages Consumer Consumer goods Food Banking Finance Fund management Insurance Investment Consulting Education Information Media Publishing Support Services Hotels Leisure Engineering Fashion Generator hire Industrial products Manufacturing Packaging Tobacco Chemicals Medical Pharmaceuticals Energy Mining Oil and gas Water Retail clothing Retail homeware Retail hospitality Retailer Supermarket Military Security IT Outsourced services Product testing Telecoms Transport air

KEY AUDIT MATTERS BY SECTOR

Key Audit Matters for "Construction / Real estate" sector

Assets (Mostly Impairment) 5	Revenue recognition (not related to fraud) 2		odwill bairment		osure / ntation		
Acquisitions / Investments	Provisions / Legal provisions 1 Tax 1				Fraud	Rev	ud in renue cognition
4			Invento	ories	es put		
Disposals	Litigation / Claims 1 Long Term Contracts / Complex contracts 1		Litigation 1		1		Incentives, rebates and discounts 1
3			Management Override of Controls 1		Incent		

Key Audit Matters for "Consumer goods" sector

Tax ⁷	Assets (Mostly Impairment) 4	Liabilities / Accruals 3	Revenue recognition (not	related to fraud) 2	Disclosure / Presentation 2
Provisions / Legal provisions 6	Litigation / Claims Verticians	Restructuring Transformati of finance processes 2			tives, tes and ounts
	Investment 2 Fraud	Actuarial assumptions 1	Finar instru 1	ncial uments	Management Override of Controls 1
Goodwill Impairment	2		Controls & systems 1		S A A
5	Fraud in Revenue Recognition 2	Pensions 1	Dis 1	posa	Exception off tr

Key Audit Matters for "Financial services" sector

Assets (Mostly Impairment) ¹³	Actuarial assumptions 8		ancial trument	ts	Lega	isions / I sions		
Liabilities / Accruals ¹³	Litigation / Claims ⁶		Disclosure / Presentation 3	Acquisitions /	3 3	Controls & IT systems 3		
	Tax				<u>د ~ ع</u>	-		
Goodwill	5		Pensions 2		Long Term Contracts / Complex contracts	Fraud 1		
Impairment 8	Revenue recognition (not related to fraud)		related to fraud) දූ පී		N Fraud recog 1		l in revenue nition	
	4		Сhа Сha		Disposals 1	5		

Key Audit Matters for "Information / Media / Publishing / Consulting / Education" sector

Assets (Mostly Impairment) 7 Revenue recognition (not related to fraud)	Provisions / Legal provisions 5	sions Contracts / Complex contracts 5				
Goodwill Impairment	Liabilities / Accruals ³	Disclosure / Presentation 2	ensions Fr 2	aud		
7	Actuarial assumptions 3	Fraud in Revenue Recognition 2	Costs / Charges 1 Management Override of Controls 1	Restructuring / Transformation of finance processes 1		
Tax ⁶	Litigation / Claims ³	2	Controls and IT systems L Disposals L	Exceptionals / One-off transactions 1		

Key Audit Matters for "Leisure / Accommodation" sector

Assets (Mostly Impairment) ² Tax	Provisions / Legal provisions 1	Revenue recognition (not related to fraud) 1		recognition (not related		Goodwill Impairmen 1	Actuarial assumptions
Liabilities / Accruals	Acquisit Investme 1 Fraud		Re	aud in venue cognition	Controls & IT systems		
Disclosure / Presentation 2	Costs / Charge		1 Exc	isposal ceptionals / nsactions			

Key Audit Matters for "Manufacturing - Other" sector

Assets (Mostly Impairment) ¹³ Provisions / Legal provisions	Revenue recognition (not related to fraud) 11	Liabilities / Accruals 9	Actuarial assumptions	α Lo C C 8	ong Term ontracts / omplex ontracts
12 Goodwill	Litigation / Claims		Fraud 4	raud in revenue recognition 4	nventories 4
Impairment	Disclosure / Presentatior 6	Restructuring / Transformation of finance	Managem	nent	Receivables 2
Tax 11	Pensions 6	Financial Instruments 3	Acquisit Investm 2 Exception One-off transactic	nents nals /	Controls and IT systems IT systems Incentives, Payments Discounts 1

Key Audit Matters for "Medical / Pharmaceuticals / Chemicals" sector

Tax ⁶ Assets (Mostly			Litigation / Claims 4		ccruals Claims 3		
Impairment) 5 Provisions / Legal			Inventories 2		tives, tes ounts		
provisions ⁵			Long Term Contracts / Complex contracts 1 Costs / Charges	Management Dverride of Controls 1	Restructuring / Transformation of finance processes 1		
Revenue recognition (not related to fraud) 4	2 Fraud 2		1 Fraud in revenue recognition 1	Contro system 1			

Key Audit Matters for "Raw material / Energy / Utilities" sector

Assets (Mostly Impairment) ¹⁹ Provisions / Legal	Disclosure / Presentation 11	Liabilities / Accruals 9	Long Term Contracts / Complex contracts 7	Costs / Charges 7
provisions 17	eodwill Bensions	Financial instruments 5	Receivables 5	Acquisitions / Investments 4
Revenue recognition (not related to fraud)	6 Actuarial	Preud Restructuring	Fraud in revenue recogni on 2	and IT
Tax 12	assumptions 5 Litigation / Claims 5	Going Concern 3	n of Dispe	Nerrid

Key Audit Matters for "Retail" sector

Assets (Mostly Impairment) ⁵ Provisions / Legal provisions	Actuarial assumptions 4	Fraud 4				Controls		Re an	ebat Id	tives, es unts		
5 Revenue recognition (not			Та 2	x	Goodwill impairment 2		<pre>\cquisitions /</pre>	Investments 2				
related to fraud) ⁵ Inventories			Costs / Charges 2			itigation /	Claims 1	Financial instruments 1				
5	Pension: 3	S	Fraud in Re		Fraud in Re Recognitio		Fraud in Rev Recognition			Con	trols a ems	

Key Audit Matters for "Security / Military" sector

Tax 2	Long Term Contracts / Complex contracts 2	Assets (Mostly Impairments) 1 Provisions / Legal	Liabilities / Accruals
Revenue recognition (not related to fraud) 2	Actuarial assumptions	Pensions	
Goodwill Impairment	Disclosure / Presentation	Fraud in reve recognition	nue
2	Litigation / Claims	1 Management Ove 1	rride of Controls

Key Audit Matters for "Services - Other" sector

Provisions / Legal provisions ⁵ Goodwill	Revenue recognition (not related to fraud) 4	Litigation / Claims 4		Claims 4		Lon Con Con 4	tra nple	ots / ex
Impairment ⁵ Assets (Mostly	Liabilities / Accruals ³	Pensions 2	Cos Cha 2	ts / rges	Exceptionals /	Une-on transactions 2		
Impairment) ⁴ Tax	Disclosure / Presentation 3	Acquisitions / Investments 1 Fraud	Management Override of Controls	1 Restructuring /	Transformation of finance processes 1	Controls and IT systems 1		
4	Actuarial assumptions 2	assumptions Fraud in revenue		posals		ing ncern		

WEIGHT OF THE SECTORS FOR EACH KEY AUDIT MATTER

Sectors for the "Assets (Mostly Impairment)" Key Audit Matter

Raw material / Energy / Utilities	Information Media / Publishing / Consulting / Education 7	Real estate 5
Financial services	Medical / Pharmaceuticals / Chemicals 5	Retail 5
Manufacturing - Other	Consumer go 4 Services - C 4	Leísi ccommoda

Sectors for the "Provisions / Legal Provisions" Key Audit Matter

Raw material / Energy / Utilities ¹⁷	Consumer goods ⁶ ⁶			Information / Media / Publishing / Consulting / Education 5
Manufacturing - Other	Medical / Pharmaceuticals / Chemicals ⁵		Ser∖ Otho ₅	/ices - er
	Retail ₅		Construe Real esta 1 Leisure / Accomm 1	ate villitary /

Sectors for the "Tax" Key Audit Matter

Raw material / Energy / Utilities 12	Information / Media / Publishing / Consulting / Education 6	Medical / Pharmaceuticals / Chemicals 6			
Manufacturing - Other	Financial services 5	Leisure / Accommodation 2 2 2			
Consumer goods 7	Services - Other 4	Construction / Real estate 1			

Sectors for the "Revenue recognition (not related to fraud)" Key Audit Matter

Raw material / Energy / Utilities	Information / Media / Publishing / Consulting / Education 7	Retail ₅
Manufacturing - Other	Financial services	Construction / Real estate 2 Consumer goods 2
11	Medical / Pharmaceuticals / Chemicals 4	Security / Military 2 2 3 3 4 4 3 3 3 3 4 3 3 3 3 3 3 3 3 3
	Services - Other 4	

Sectors for the "Goodwill Impairment" Key Audit Matter

Manufacturing - Other	Raw material / Energy / Utilities 6	Consumer goods 5
Financial services ⁸	Services - Oth	er Retail ² Security /
Information / Media / Publishing / Consulting / Education	Construction / Real esta 2 Medical / Pharmaceutical Chemicals 2	ate 2

Sectors for the "Liabilities / Accruals" Key Audit Matter

Financial services	Medical / Pharmaceuticals / Chemicals 4	Consumer goods 3
Manufacturing - Other 9	Information / Media / Publishing / Consulting / Education 3	Retail
Raw material / Energy / Utilities	Services - C 3 Leisure / Accomo 2	urity / Milh

Sectors for the "Actuarial assumptions" Key Audit Matter

Financial services	Raw material / Energy / Utilities 5	Retail 4
Manufacturing - Other ⁸	cturing - Other Information / Media / Publishing / Consulting / Education 3	
	Medical / Pharmaceuticals / Chemicals ³	Leisure / Accommodation 1 Security / Military 1

Sectors for the "Disclosure / Presentation" Key Audit Matter

Raw material / Energy / Utilities 11	Financial services 3	Re 3	tail	Services - Other 3
Manufacturing - Other	Construction / Real estate 2 Consumer goods 2		srmation / Media / ning / Consulting / Education 2	Leisure / Accommodation 2
6			Informa Buihishing Secnuith /	

Sectors for the "Litigation / Claims" Key Audit Matter

Manufacturing - Other ⁷ Financial services	Medical / Pharmaceuticals / Chemicals 4	Services - Other 4
6	Information / Media / Publishing / Consulting / Education	a Construction / Real estate 1 1 1
Raw material / Energy / Utilities 5	Consumer goods	Security / Construc Military 1

⇒ Back to GENERAL OVERVIEW OF KEY AUDIT MATTERS

Sectors for the "Long Term Contracts / Complex contracts" Key Audit Matter

Manufacturing - Other ⁸	Information / Media / Publishing / Consulting / Education 5	Services - Other 4		
Raw material / Energy / Utilities 7	Security / Military 2	January Sport Services 1		
	Construction / Real estate 1	Medical / Pharmaceuticals / Chemicals 1		

⇒ Back to GENERAL OVERVIEW OF KEY AUDIT MATTERS

Sectors for the "Pensions" Key Audit Matter

Manufacturing - Other	Medical / Pharmaceuticals / Chemicals 3	Retail 3
Raw material / Energy / Utilities 6	Financial services 2	Services - Other 2
	Information / Media / Publishing / Consulting / Education 2	Consumer goods 1 Security / Military 1

⇒ Back to GENERAL OVERVIEW OF KEY AUDIT MATTERS

Sectors for the "Acquisitions / Investments" Key Audit Matter

Information / Media / Publishing / Consulting / Education 5	Financial services 3		g 2	Consumer goods 2	
Construction / Real estate	Manufacturing - Other	Medical / Pharmaceuticals / Chamicals		Retail 2	
Raw material / Energy / Utilities 4	Leisure / Accommod 1		Servi 1	ces - Other	

Sectors for the "Fraud" Key Audit Matter

Manufacturing - Other 4	Consumer goods 2 Label{eq:spectrum} Information Media / Publishing / Consulting / Education 2			ing / ing /
Retail 4	Medical / Pharmaceuticals / Chemicals 2	Construction / Real estate	1	Financial services 1
Raw material / Energy / Utilities 3	Leisure / Accommodation 1 Security / Military 1			rvices ther

Sectors for the "Costs / Charges" Key Audit Matter

Raw material / Energy / Utilities 7	Financial services 2	Ret ²	Retail 2	
Manufacturing - Other 5	g - Other 2		Information / Media / Publishing / Consulting / Education 1	
	Leisure / Accommodation 1	Medica Pharm Chemi 1	aceuticals /	

Sectors for the "Fraud in Revenue Recognition" Key Audit Matter

Manufacturing - Other 4	Raw material / Energy / Utilities 2	Retail 2	
Consumer goods	Construction / Real estate	/ Pharmaceuticals / Chemicals 1	Security / Military 1
	Financial services	Medical / Pha	
Information / Media / Publishing / Consulting / Education	Leisure / Accommodation 1	Service Other	:S -

Sectors for the "Financial Instruments" Key Audit Matter

Financial services	Manufa - Other 3	cturing
Raw material / Energy / Utilities	Consumer goods 1	Retail

Sectors for the "Inventories" Key Audit Matter

Retail 5	Information / Media / Publishing / Consulting / Education 2	Medical / Pharmaceuticals / Chemicals
Manufacturing - Other		Me
	Construction / Real estate 1	
	Raw material / Energy / Utilities 1	

Sectors for the "Management Override of Controls" Key Audit Matter

Retail 4	Construction / Real estate 1	Consumer goods 1	Information / Media / Publishing / Consulting / Education 1
	Medical / Pha / Chemicals 1	Services - Other 1	
Manufacturing - Other 3	Raw material / Energy / Utilities		
	Security	/ Military	

Sectors for the "Restructuring / Transformation of finance processes" Key Audit Matter

Manufacturing - Other 4	Consumer goods	
Raw material / Energy / Utilities	Information / Media / Publishing / Consulting / Education 1	Medical / Pharmaceuticals / Chemicals 1
	Services - Other	

Sectors for the "Controls & IT systems" Key Audit Matter

Financial services	Consumer goods 1	Inform Media Publisl Consu Educat 1	hing / Iting /		sure / commodation
Raw material /	Manufacturing - Other 1		Retai	il	Services - Other 1
Energy / Utilities	Medical / Pharmaceuti Chemicals 1	cals /			

Sectors for the "Incentives, Rebates and Discounts" Key Audit Matter

Retail 4	Medical / Pharmaceuticals / Chemicals ²		
	Construction / Real estate 1	Manufacturing - Other 1	
Consumer goods 2			

Sectors for the "Disposals" Key Audit Matter

Construction / Real estate	Consumer goods 1		ncial vices
Raw material / Energy /	Information / Me Publishing / Consulting / Education 1	dia /	Services - Other 1
Utilities 2	Leisure / Accommodat	tion	

Sectors for the "Exceptionals / one-off transactions" Key Audit Matter

Manufacturing - Other 2	Services - Other 2		Consumer goods 1
Raw material / Energy / Utilities 2	Information / Media / Publishing / Consulting / Education	Leisu Accol 1	re / mmodation

Sectors for the "Receivables" Key Audit Matter



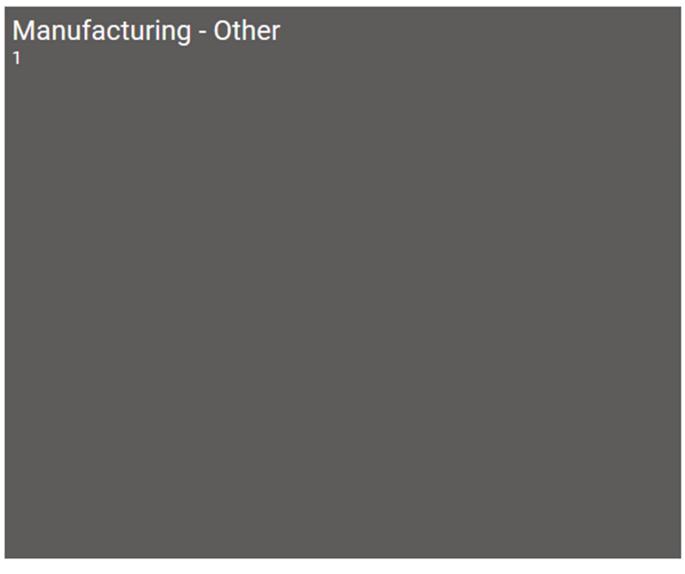
⇒ Back to GENERAL OVERVIEW OF KEY AUDIT MATTERS

Sectors for the "Going Concern" Key Audit Matter



⇒ Back to GENERAL OVERVIEW OF KEY AUDIT MATTERS

Sectors for the "Share Based Payments" Key Audit Matter



MAZARS IS AN INTERNATIONAL, INTEGRATED AND INDEPENDENT ORGANISATION, SPECIALISING IN AUDIT, ADVISORY, ACCOUNTING, TAX, AND LEGAL SERVICES. AS OF JANUARY 1, 2016, THE GROUP OPERATES IN 77 COUNTRIES AND DRAWS ON THE EXPERTISE OF 17,000 PROFESSIONALS TO ASSIST MAJOR INTERNATIONAL GROUPS, SMES, PRIVATE INVESTORS AND PUBLIC BODIES AT EVERY STAGE OF THEIR DEVELOPMENT.

Communication department Réf 03/16-EN / Photo©lstock More informations on www.mazars.com



