

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: <http://www.mazars.com/Home/News/Our-publications/Mazars-Fact-sheet/Overview-of-The-new-auditor-s-audit-Report>

OUR STUDY ON KEY AUDIT MATTERS

Why UK audit reports?

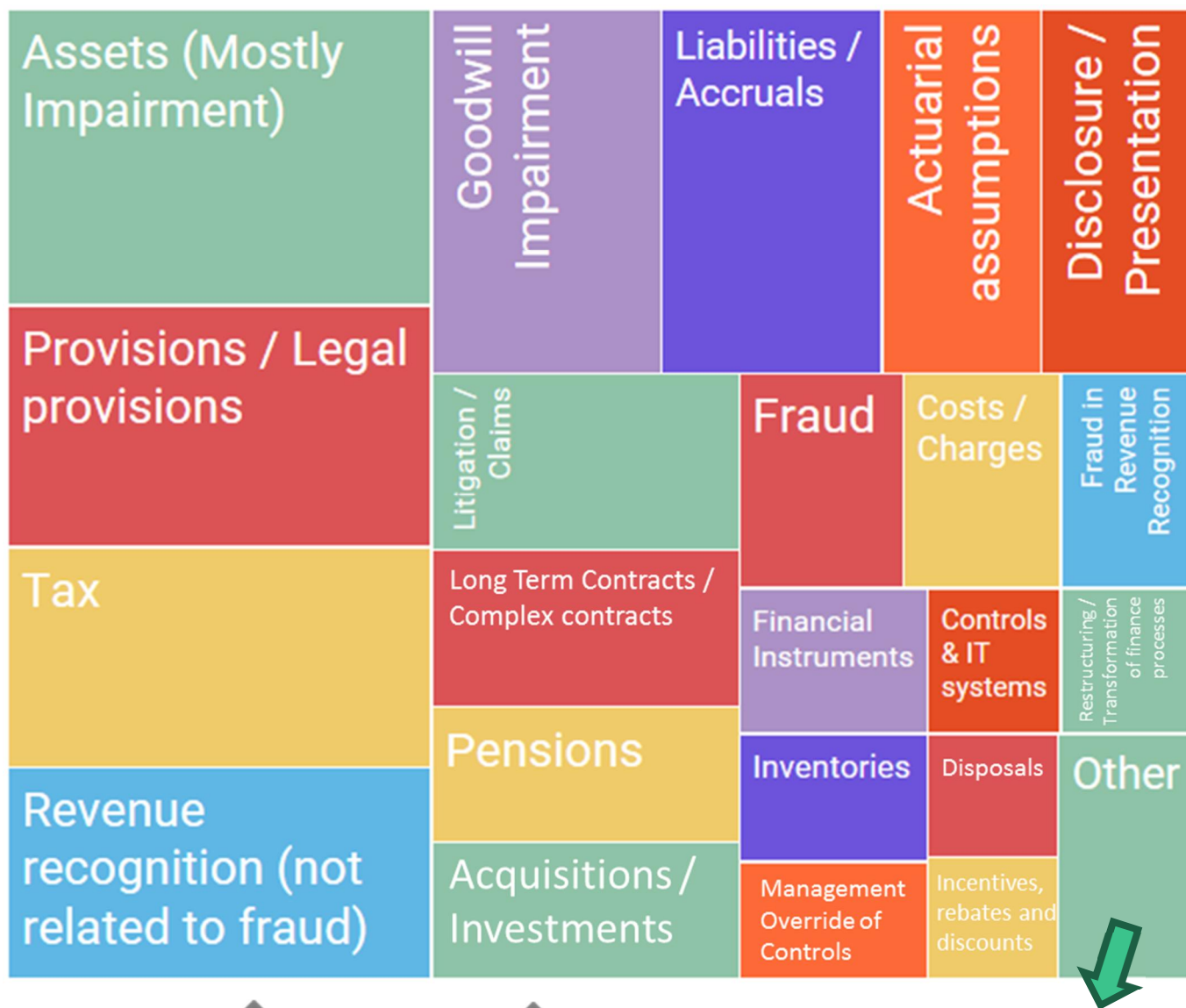
The UK has anticipated the changes embedded in the new auditor's report and adopted a new standard on the auditor's report in 2013. The reading of the 2014 audit reports of UK listed entities (especially FTSE 100 companies) provides an insight into what is expected in terms of communication in the new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



If you wish to see the weight of the respective sectors for a given KAM, please click  on the above chosen KAM.

Note that some of the auditor's reports include a follow-up of the perimeter of the Key Audit Matters and explain the reason for deleted Key Audit Matters and new Key Audit Matters compared to the previous year.

Exceptionals / one-off transactions	Going Concern
Receivables	
	Share Based Payments



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  on the below chosen sector:



Sectors used in the present document

Sub-Sectors used in the accompanying Excel document

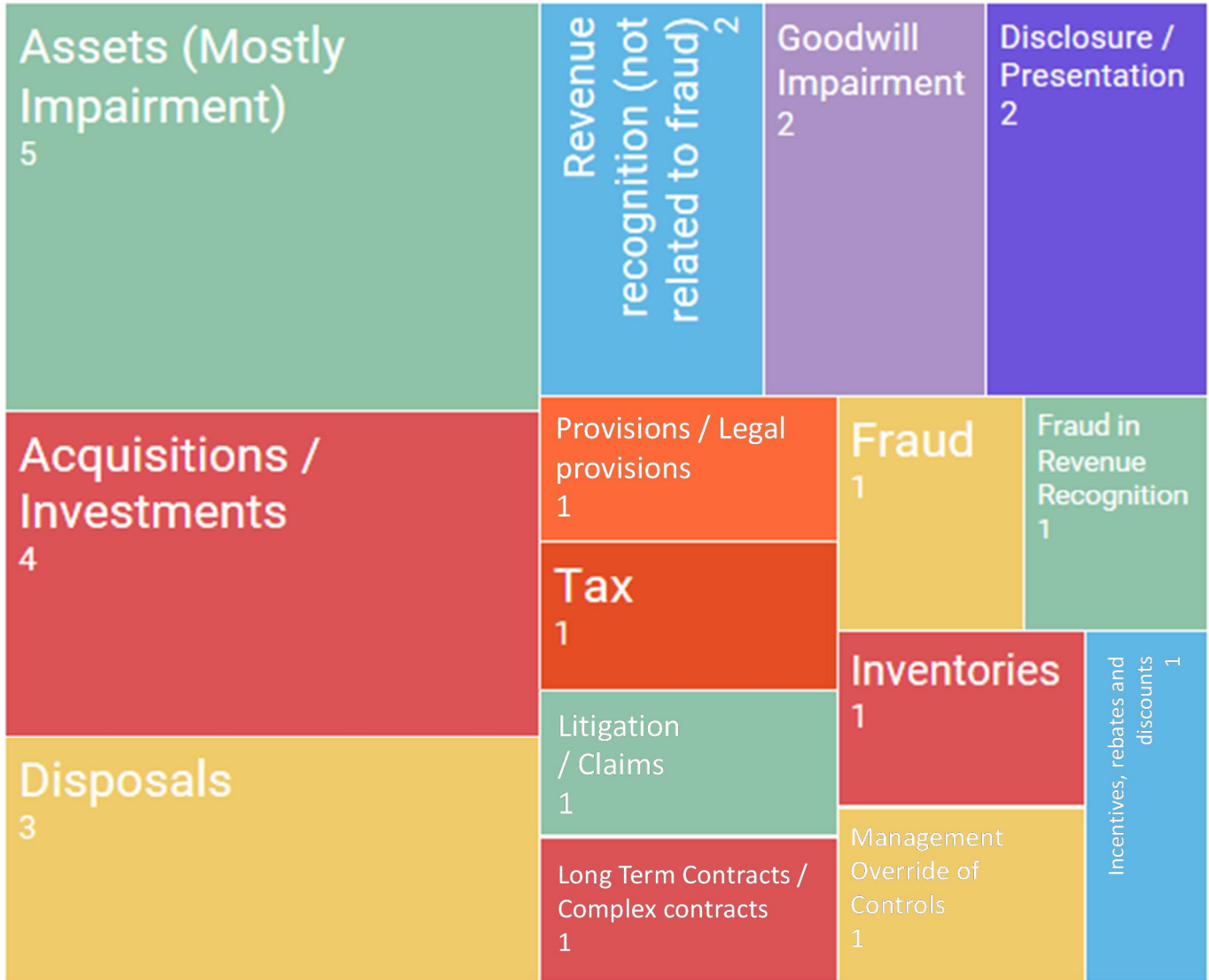
Construction / Real estate
Consumer goods
Financial services
Information / Media / Publishing / Consulting / Education
Leisure / Accommodation
Manufacturing - Other
Medical / Pharmaceuticals / Chemicals
Raw material / Energy / Utilities
Retail
Security / Military
Services - Other

- 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



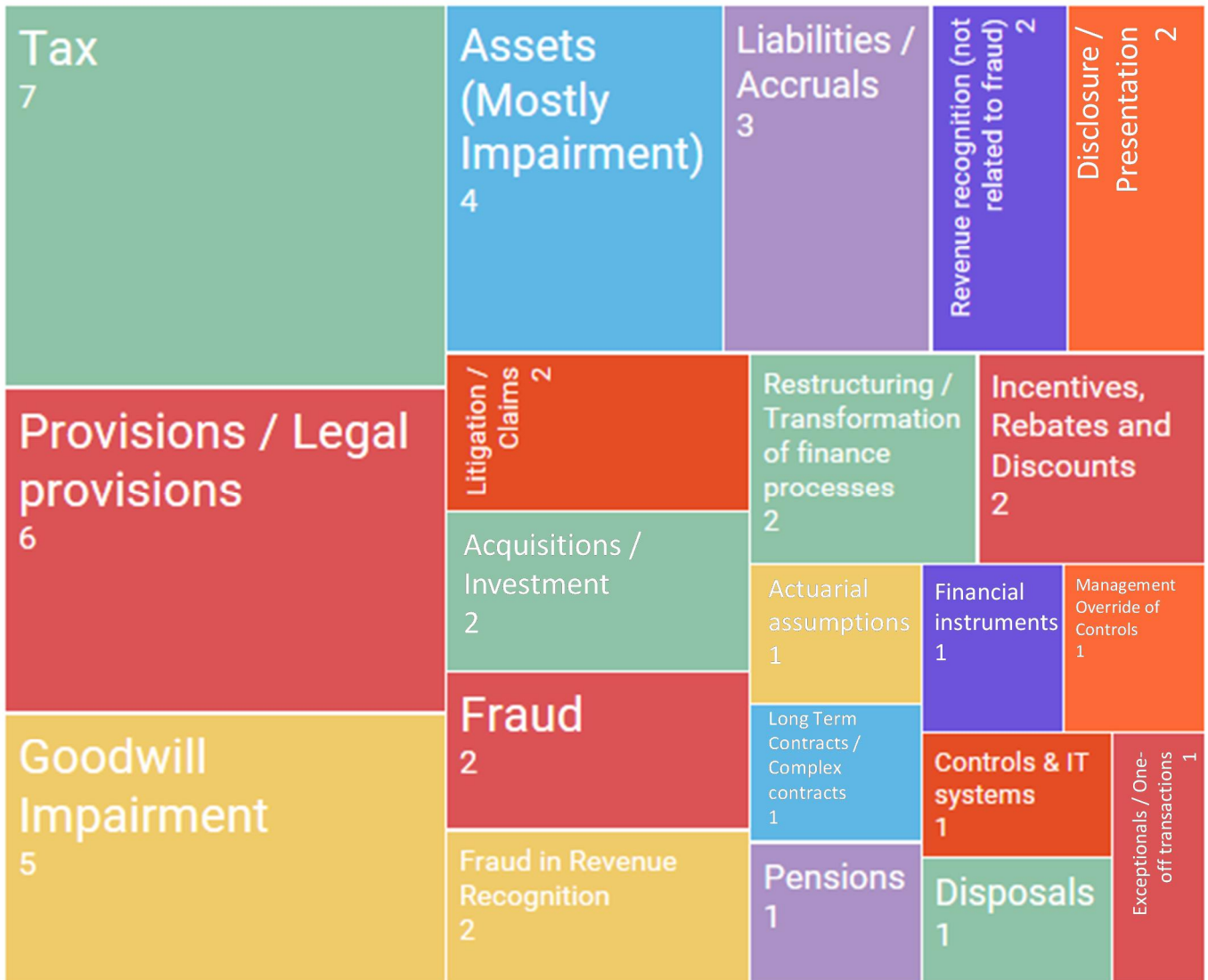
KEY AUDIT MATTERS BY SECTOR

Key Audit Matters for "Construction / Real estate" sector



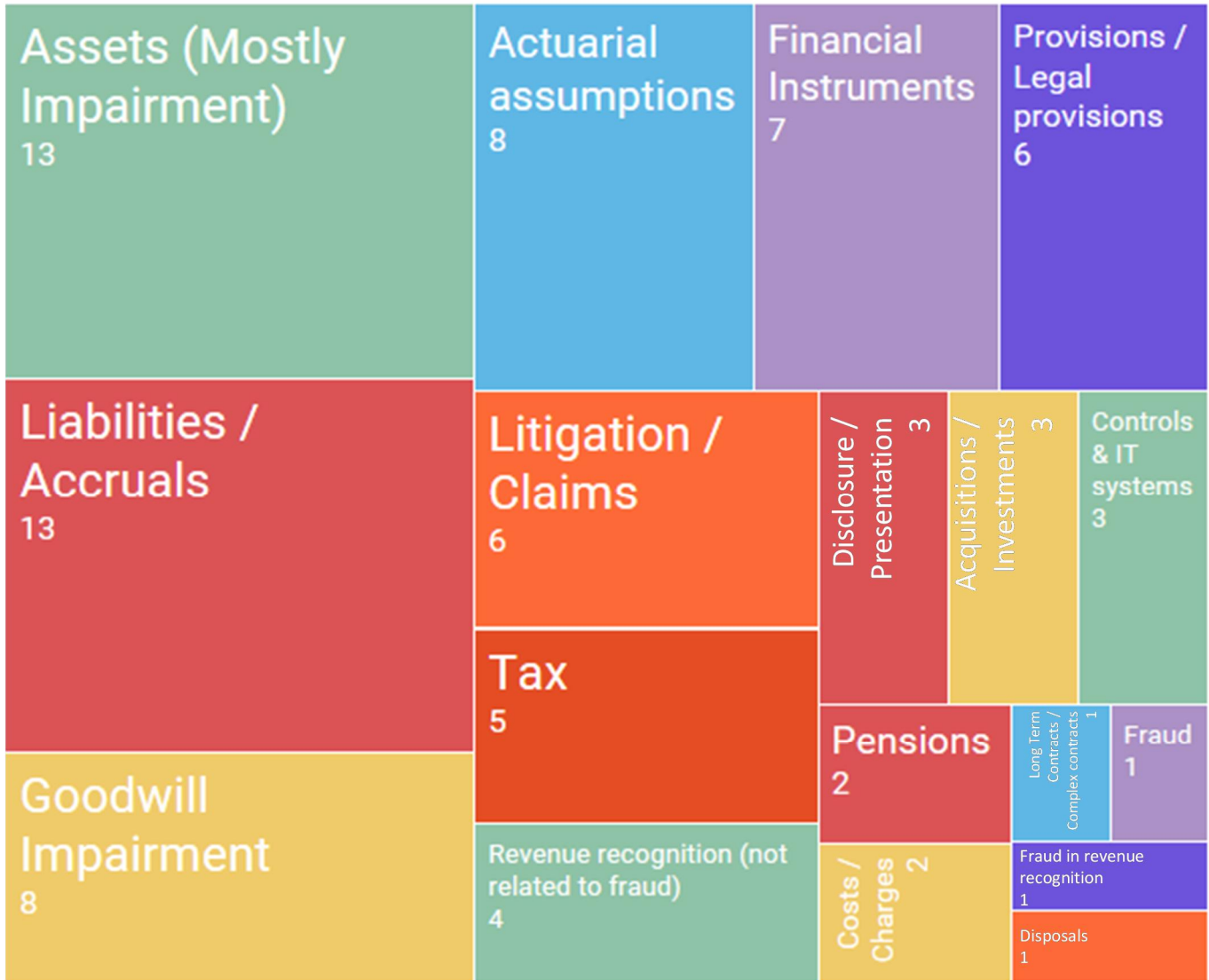
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Key Audit Matters for “Consumer goods” sector



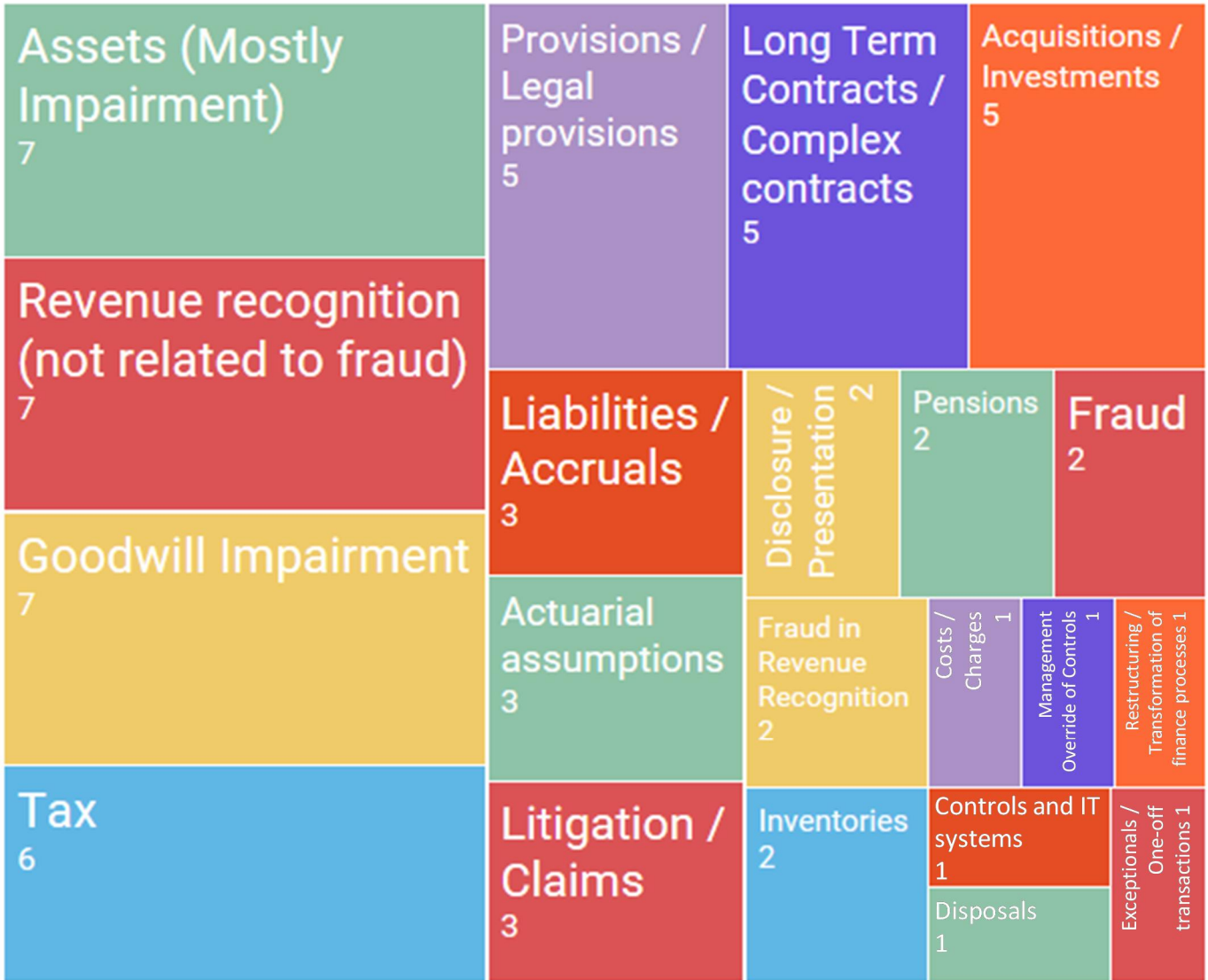
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Key Audit Matters for “Financial services” sector



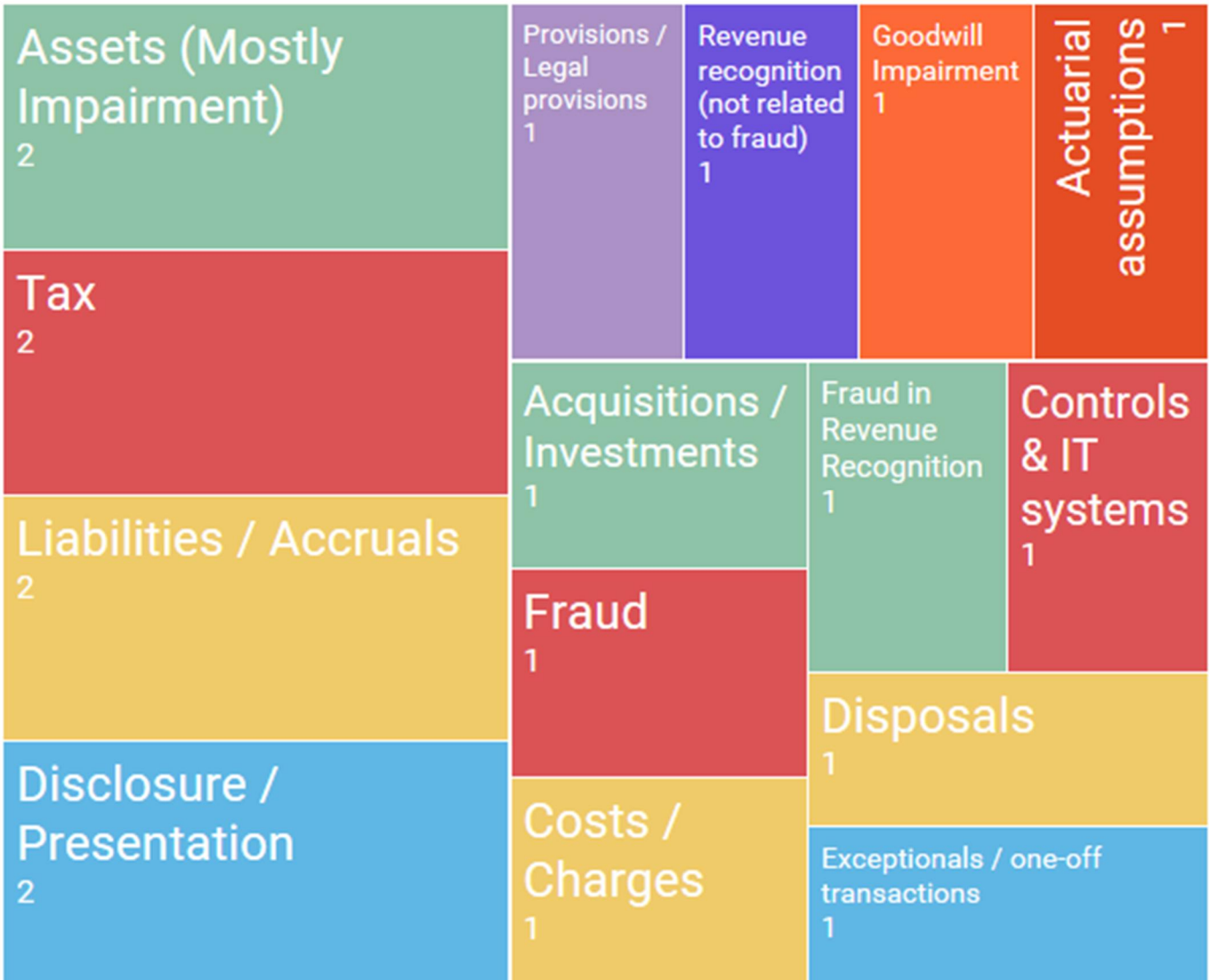
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Key Audit Matters for “Information / Media / Publishing / Consulting / Education” sector



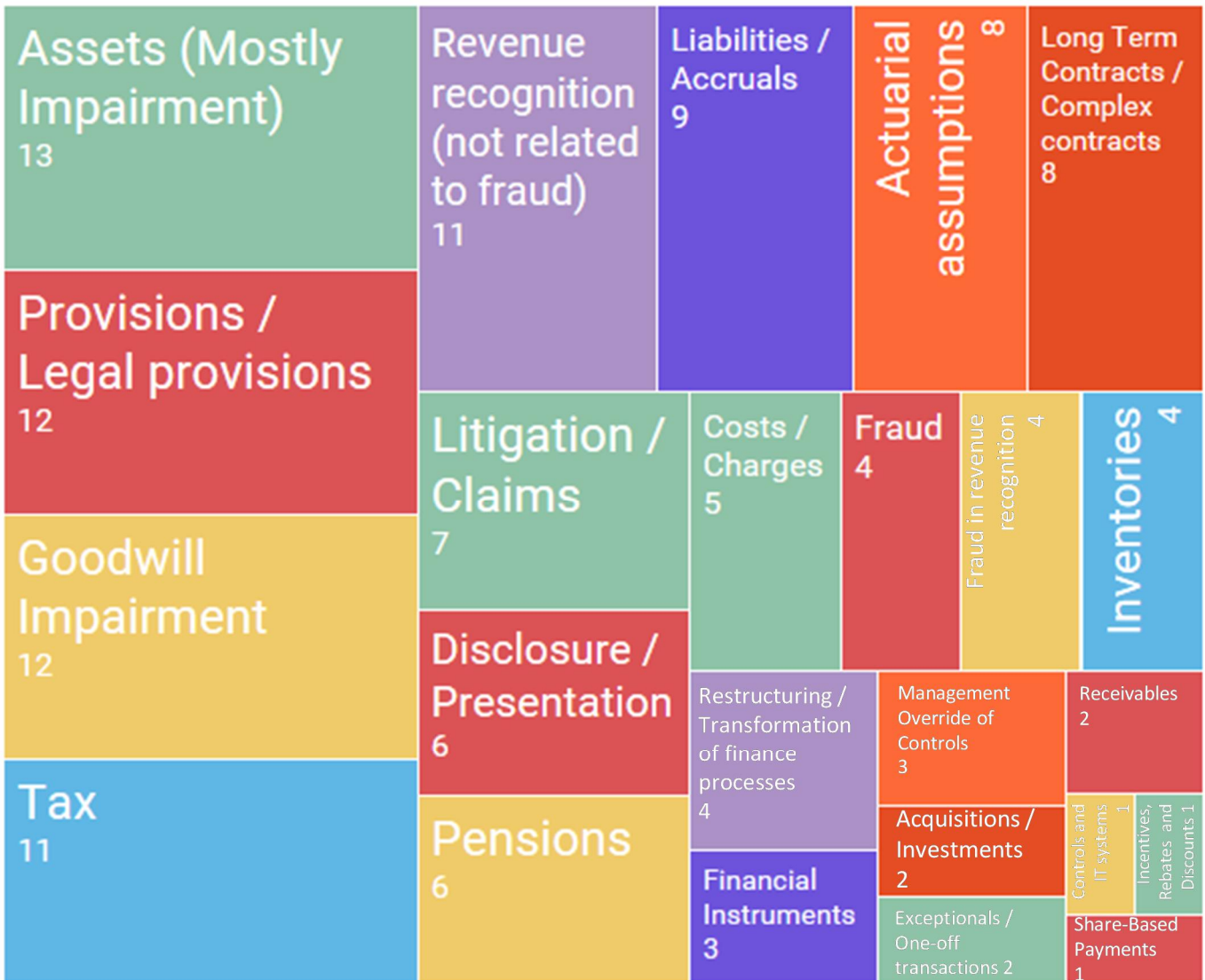
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Key Audit Matters for “Leisure / Accommodation” sector



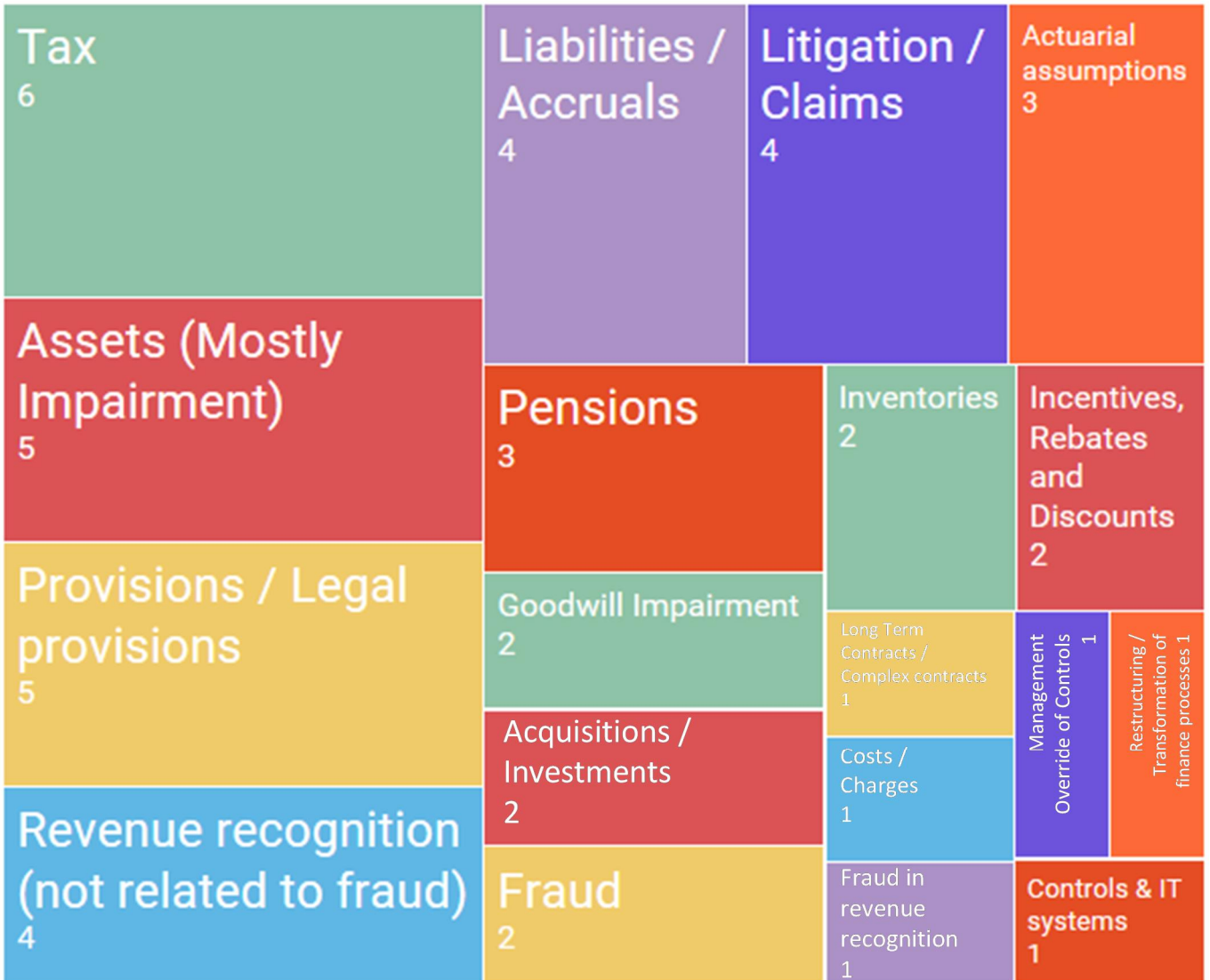
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Key Audit Matters for "Manufacturing - Other" sector



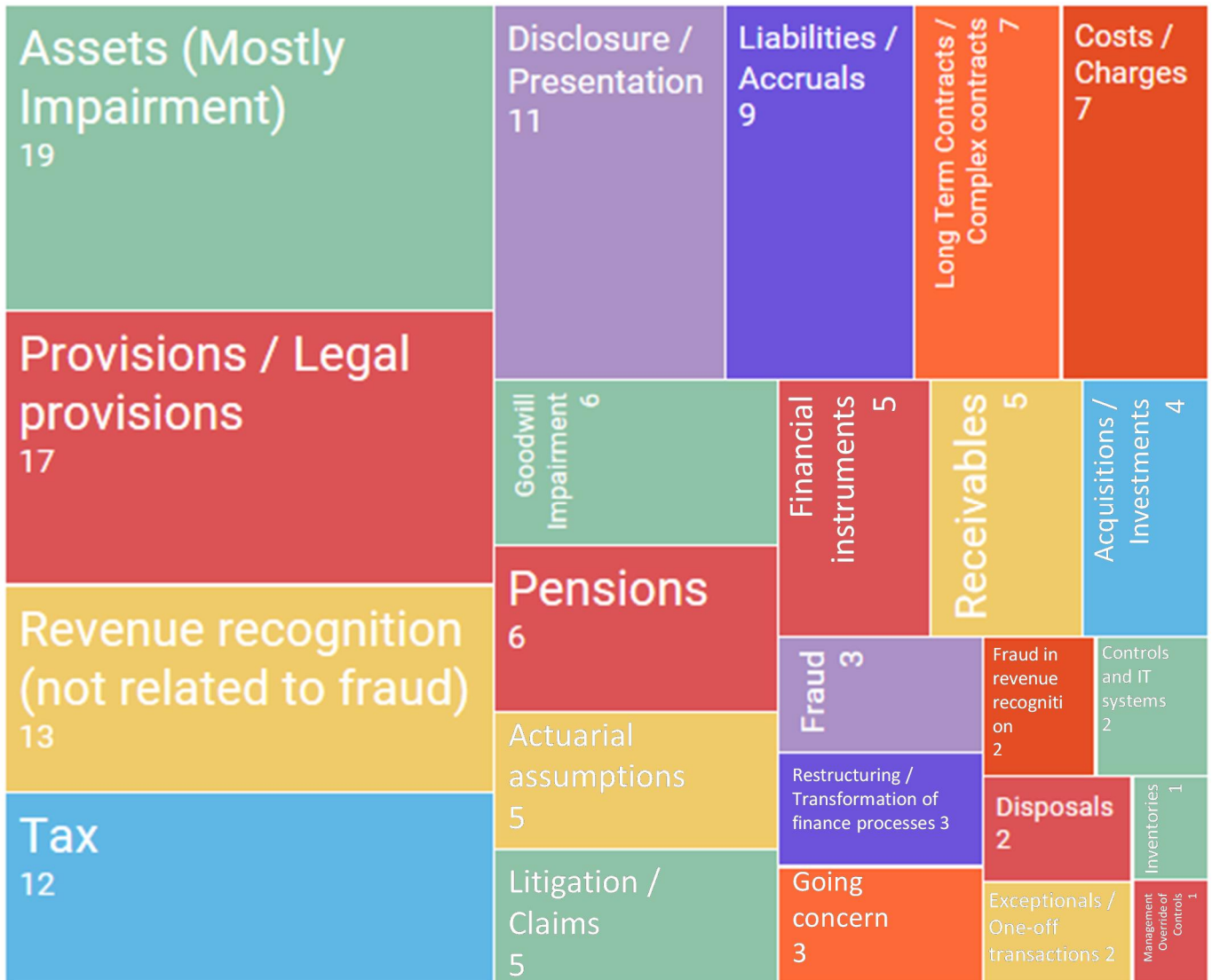
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Key Audit Matters for “Medical / Pharmaceuticals / Chemicals” sector



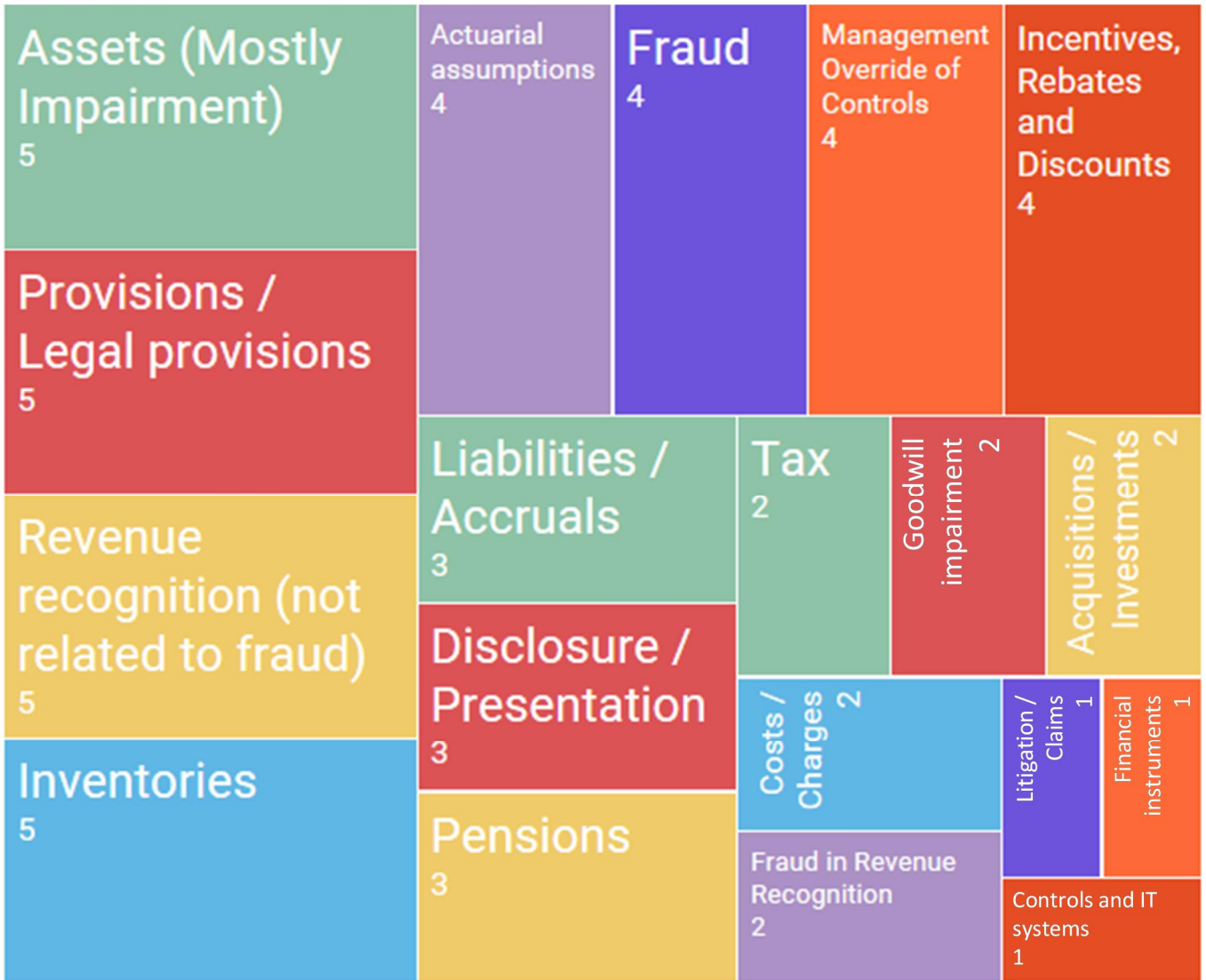
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Key Audit Matters for “Raw material / Energy / Utilities” sector



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Key Audit Matters for "Retail" sector



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Key Audit Matters for "Security / Military" sector

<p>Tax 2</p>	<p>Long Term Contracts / Complex contracts 2</p>	<p>Assets (Mostly Impairments) 1</p>	<p>Provisions / Legal provisions 1</p>	<p>Liabilities / Accruals 1</p>
<p>Revenue recognition (not related to fraud) 2</p>	<p>Actuarial assumptions 1</p>	<p>Pensions 1</p>		<p>Fraud 1</p>
<p>Goodwill Impairment 2</p>	<p>Disclosure / Presentation 1</p>	<p>Fraud in revenue recognition 1</p>		
	<p>Litigation / Claims 1</p>	<p>Management Override of Controls 1</p>		

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Key Audit Matters for "Services - Other" sector

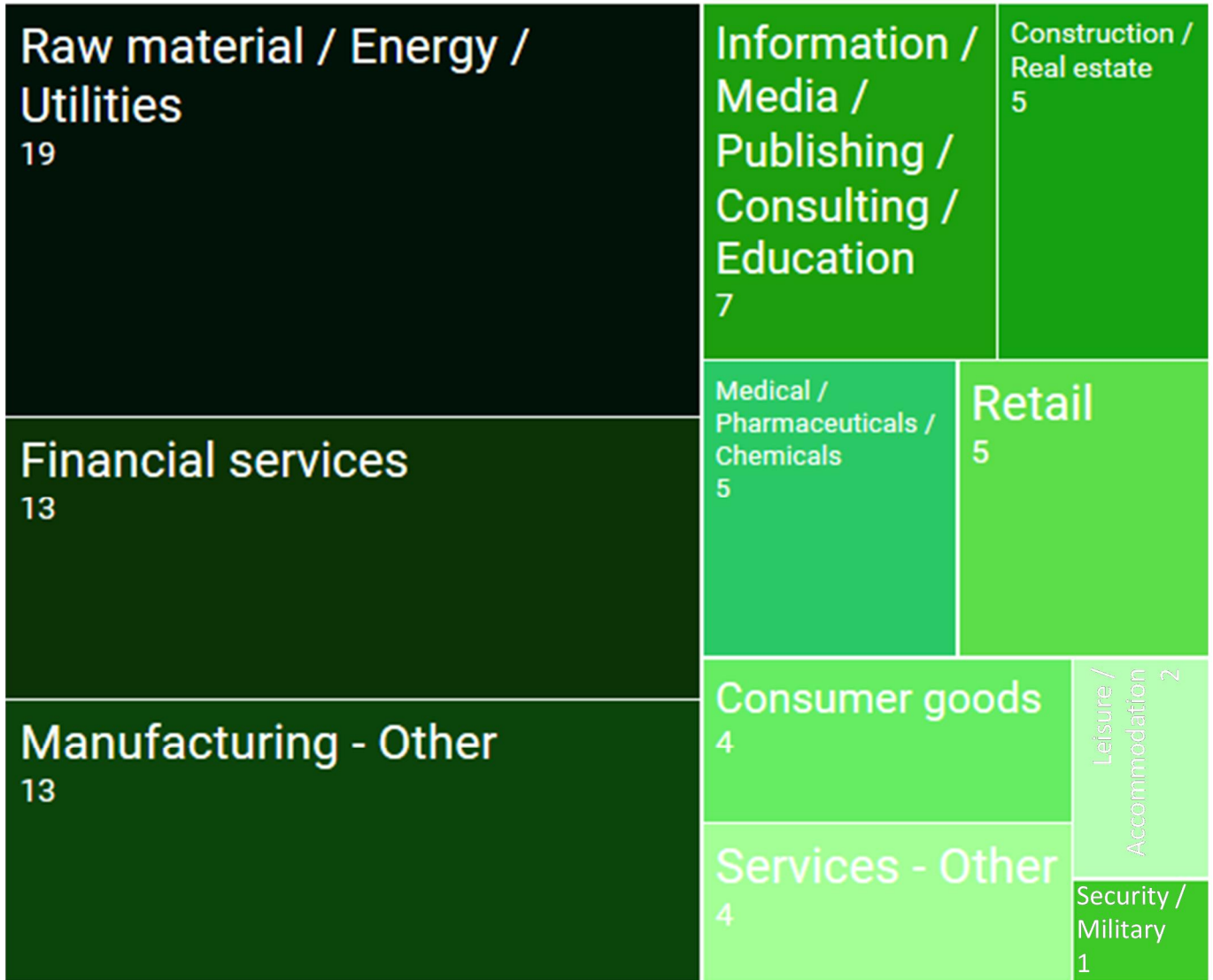


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WEIGHT OF THE SECTORS FOR EACH KEY AUDIT MATTER

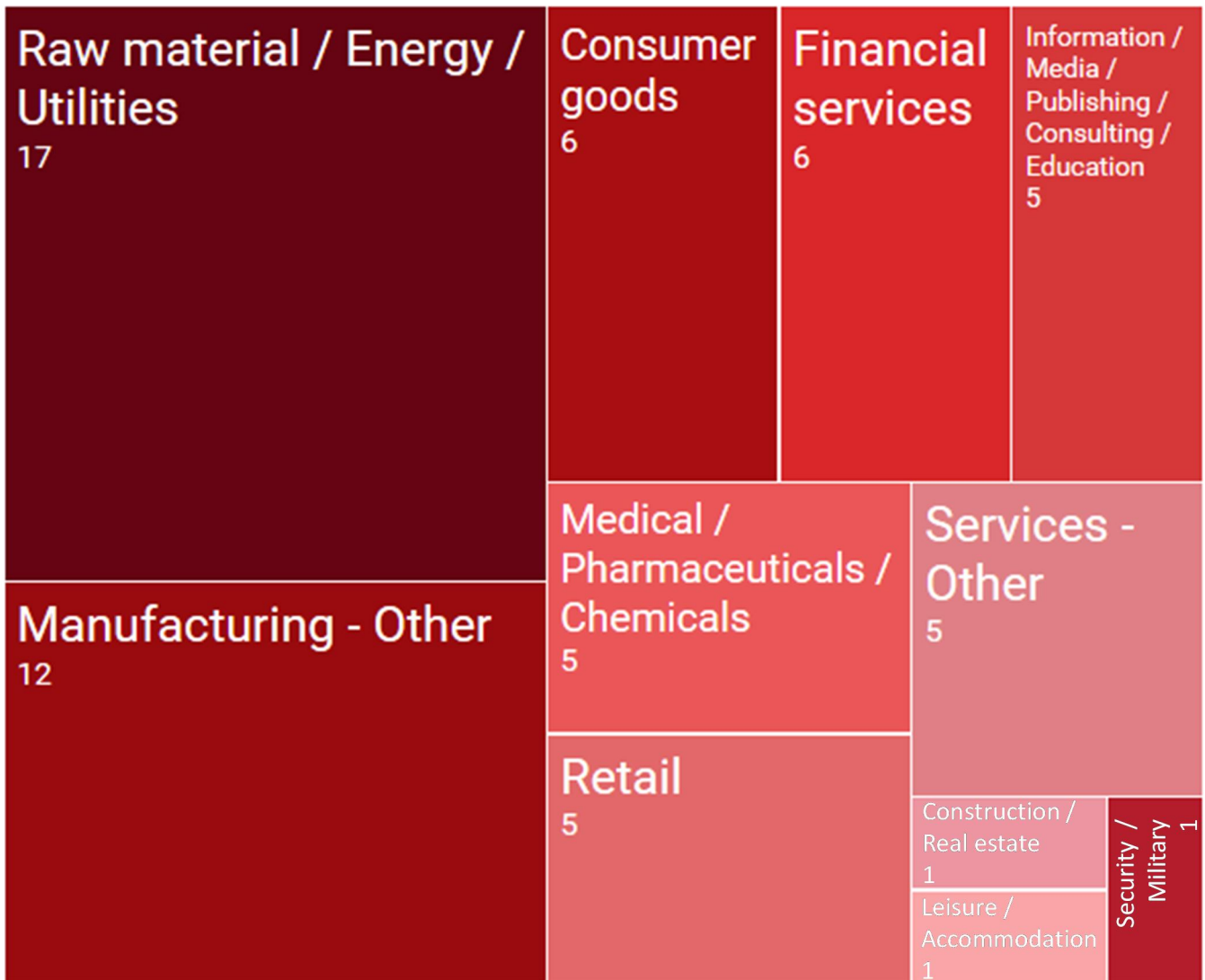
Sectors for the “Assets (Mostly Impairment)” Key Audit Matter



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



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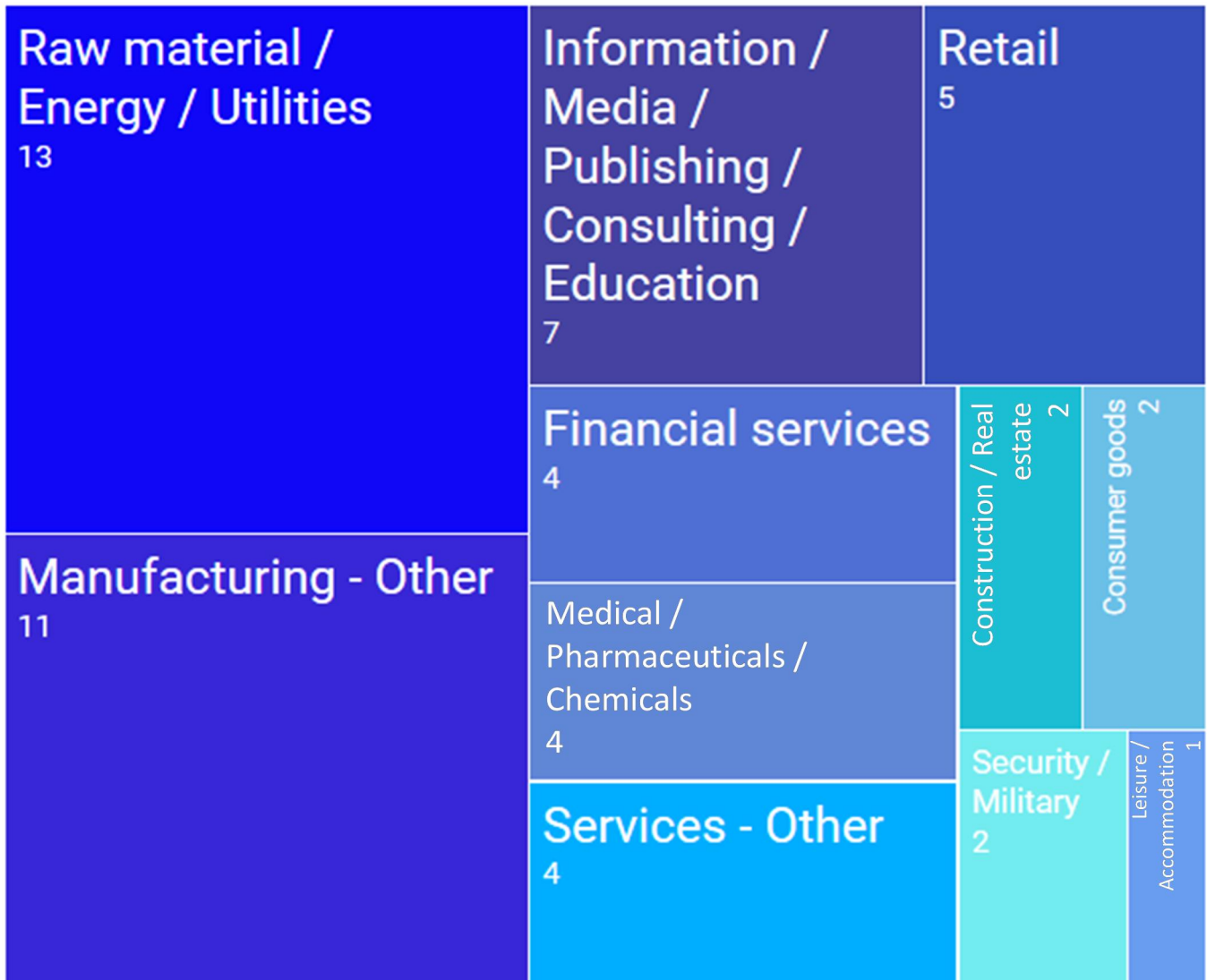


Sectors for the "Tax" Key Audit Matter

Raw material / Energy / Utilities 12	Information / Media / Publishing / Consulting / Education 6	Medical / Pharmaceuticals / Chemicals 6
Manufacturing - Other 11	Financial services 5	Leisure / Accommodation 2
Consumer goods 7	Services - Other 4	Retail 2
		Security / Military 2
		Construction / Real estate 1

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



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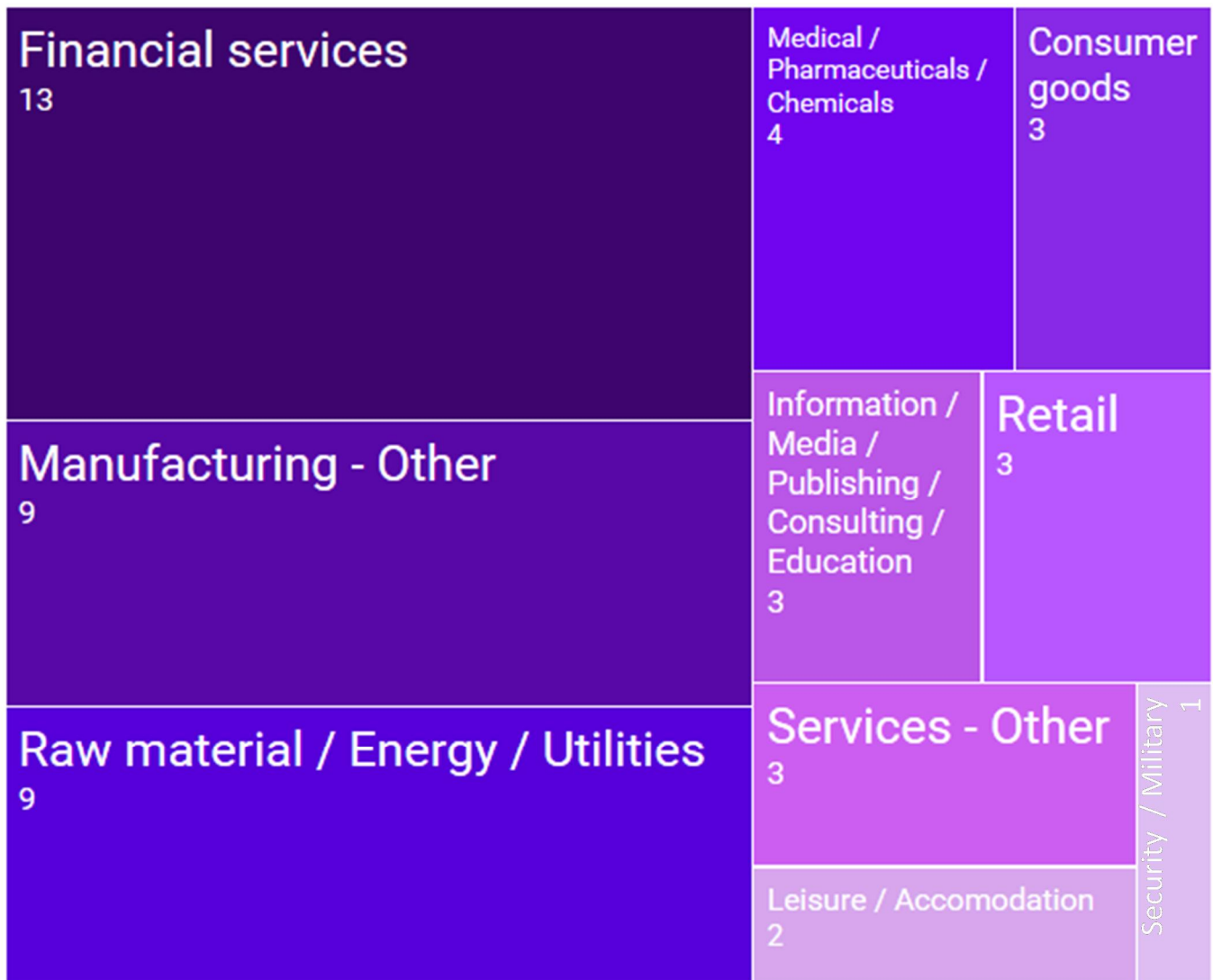
Sectors for the "Goodwill Impairment" Key Audit Matter

Manufacturing - Other 12	Raw material / Energy / Utilities 6	Consumer goods 5
Financial services 8	Services - Other 5	Retail 2
Information / Media / Publishing / Consulting / Education 7	Construction / Real estate 2	Security / Military 2
	Medical / Pharmaceuticals / Chemicals 2	Leisure / Accommodation 1

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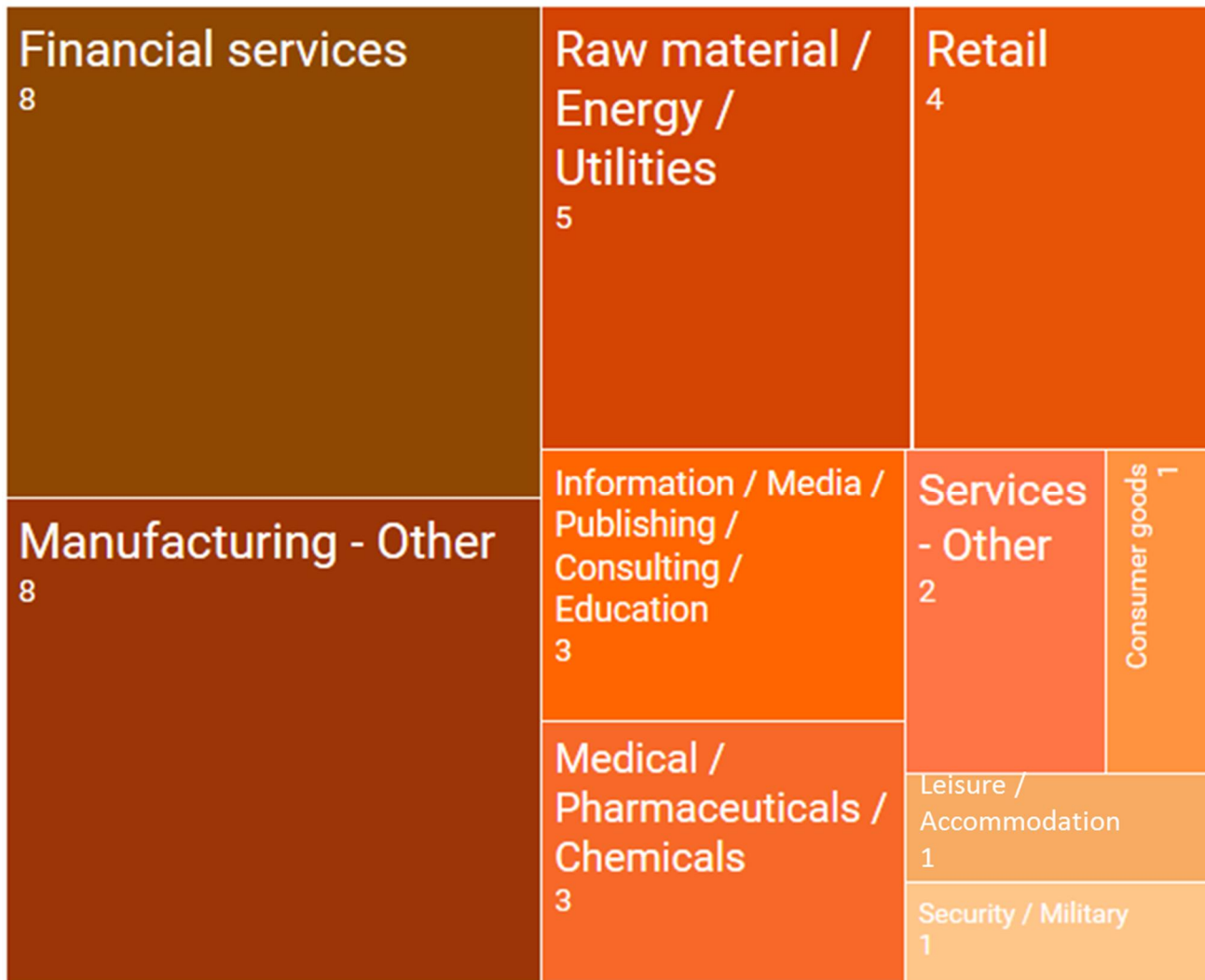
Sectors for the "Liabilities / Accruals" Key Audit Matter



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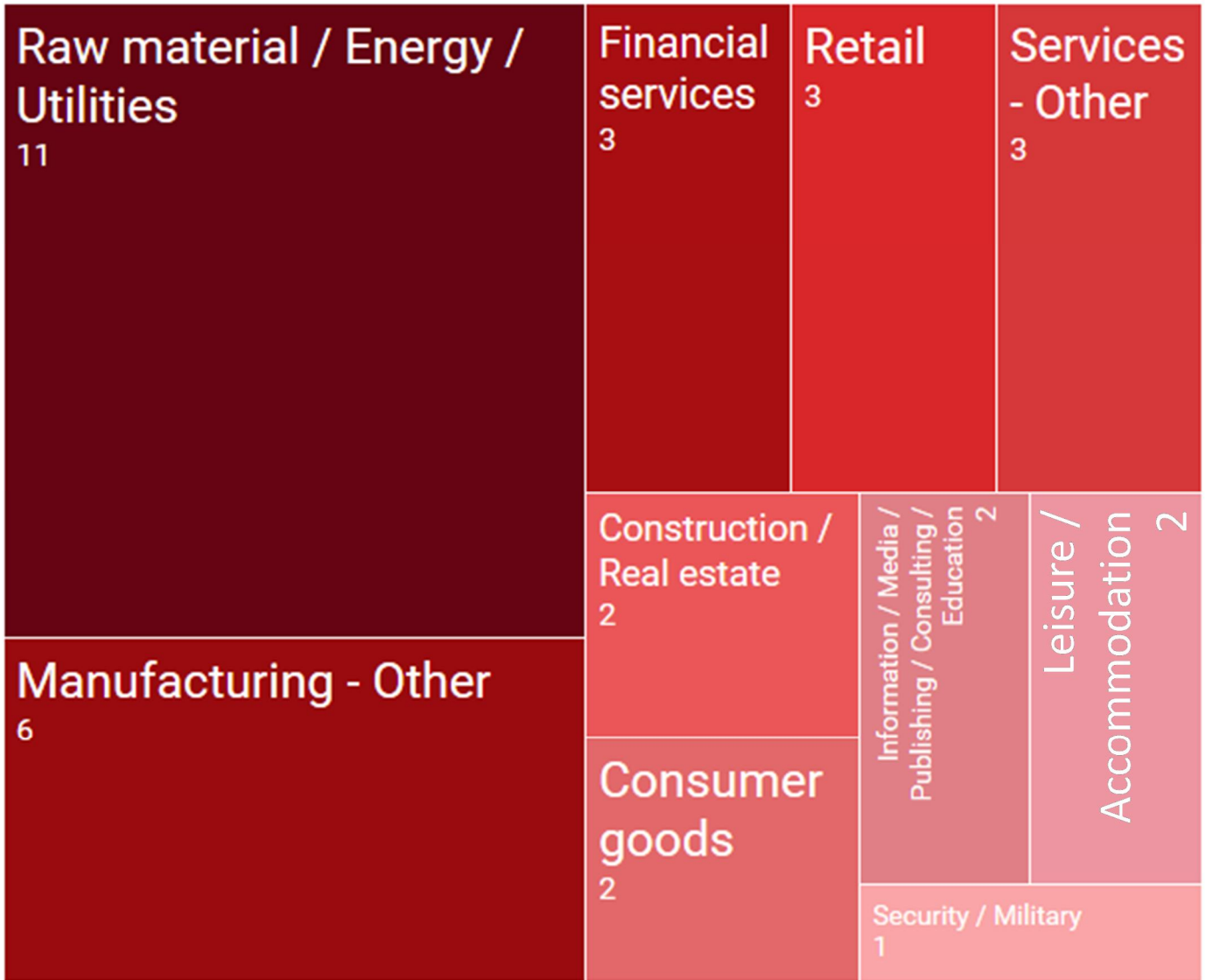


Sectors for the "Actuarial assumptions" Key Audit Matter



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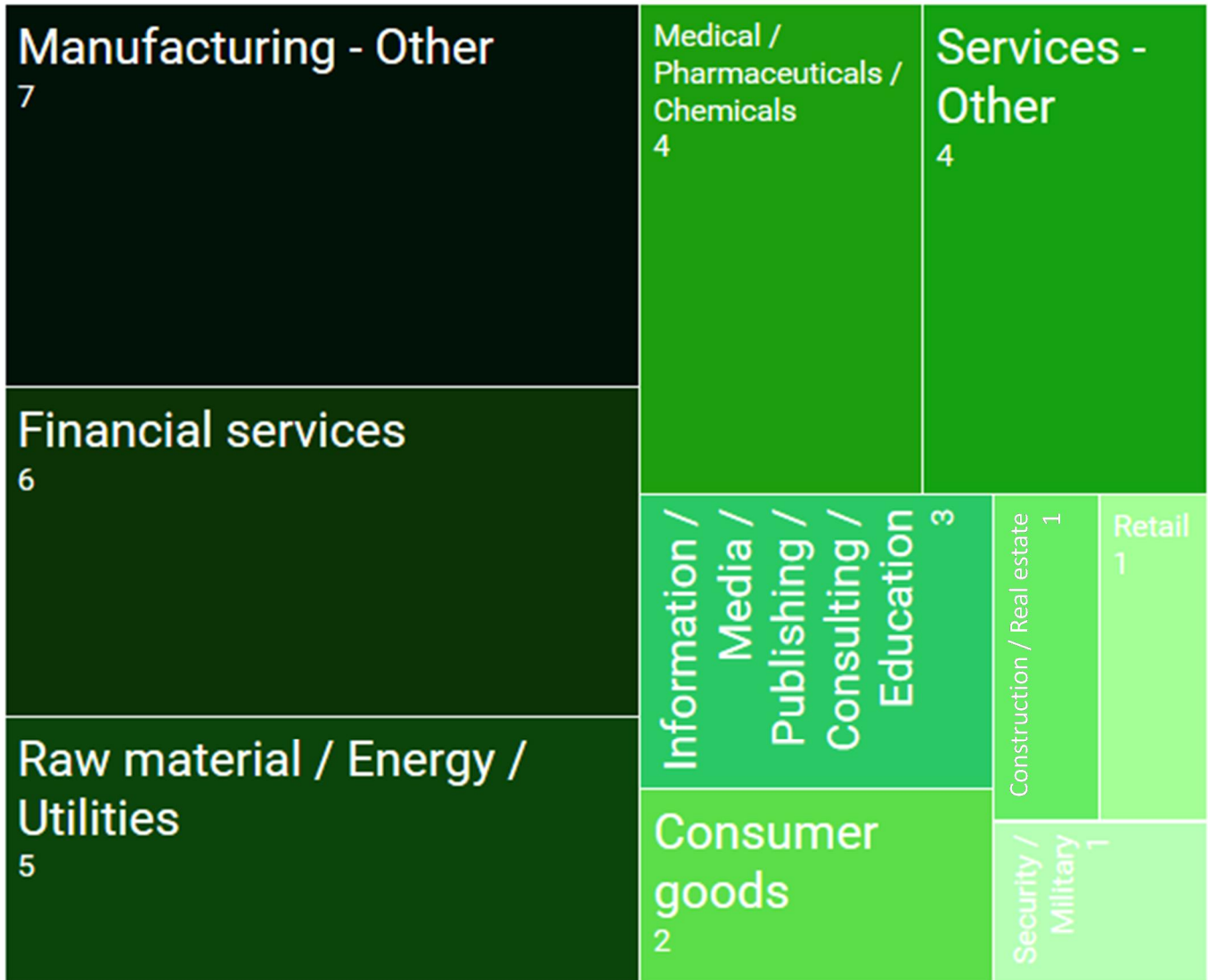
Sectors for the "Disclosure / Presentation" Key Audit Matter



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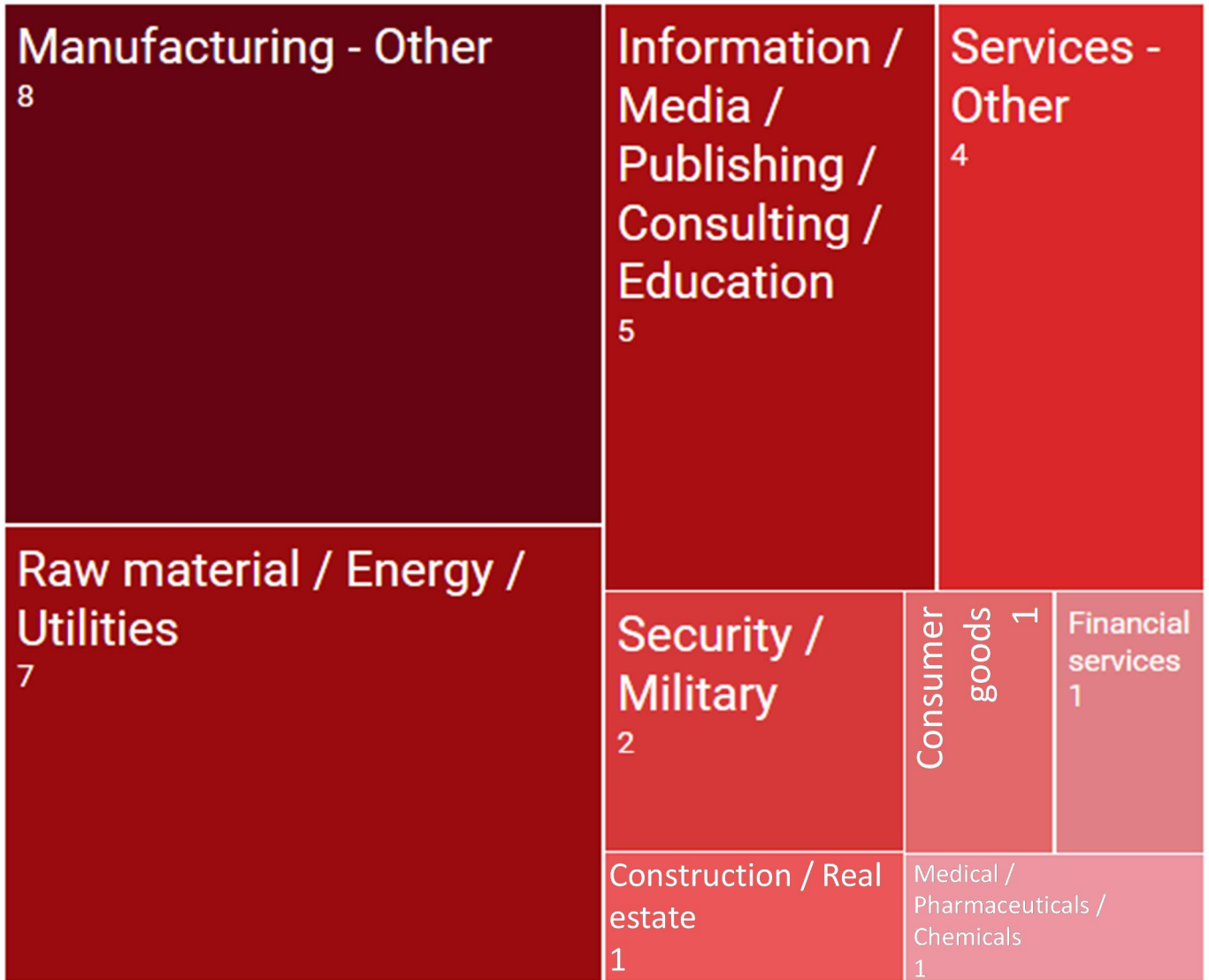


Sectors for the "Litigation / Claims" Key Audit Matter



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



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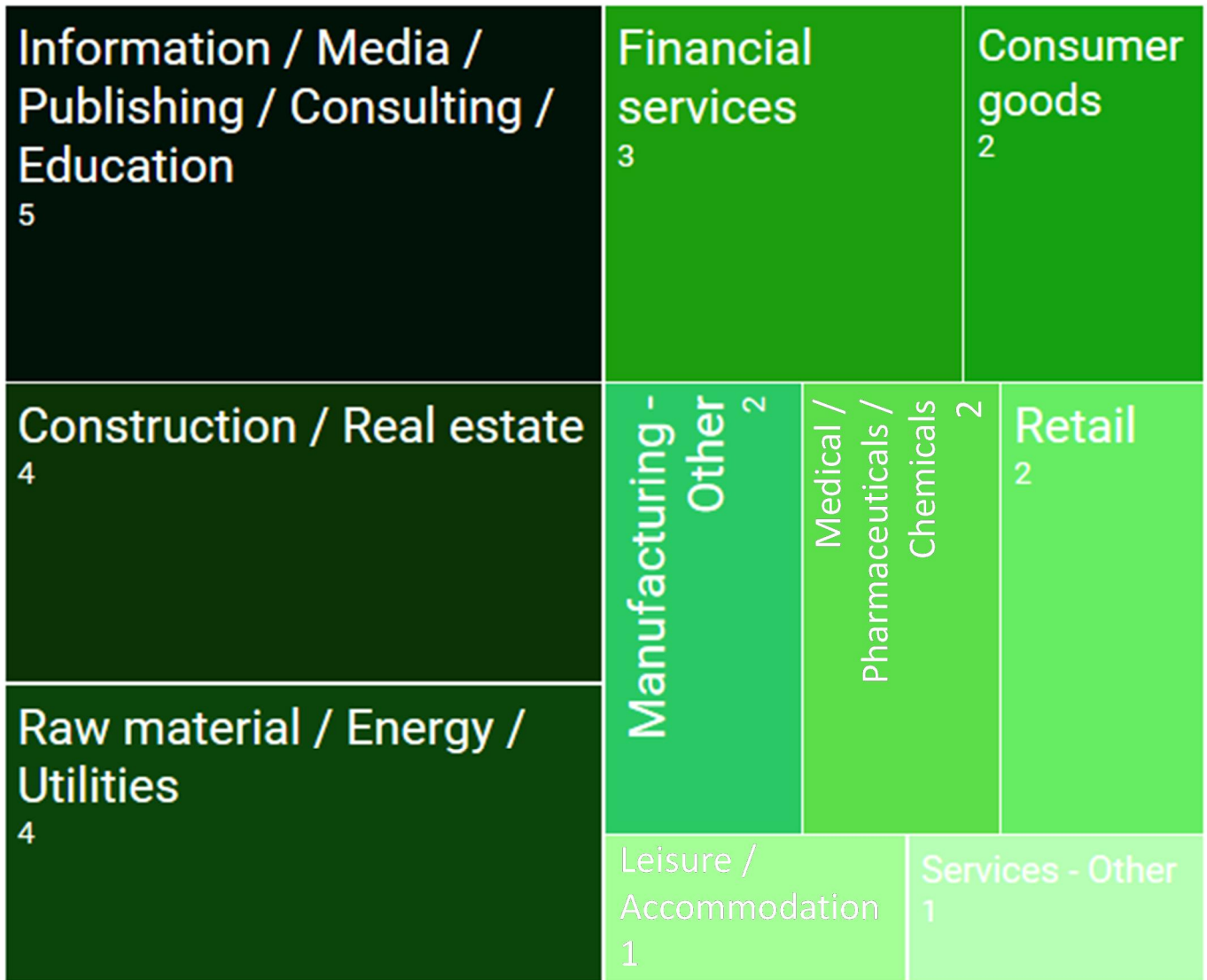
Sectors for the "Pensions" Key Audit Matter



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

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Sectors for the “Acquisitions / Investments” Key Audit Matter



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Sectors for the "Fraud" Key Audit Matter

Manufacturing - Other 4	Consumer goods 2	Information / Media / Publishing / Consulting / Education 2	
Retail 4	Medical / Pharmaceuticals / Chemicals 2	Construction / Real estate 1	Financial services 1
Raw material / Energy / Utilities 3	Leisure / Accommodation 1		Services - Other 1
	Security / Military 1		

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Sectors for the "Costs / Charges" Key Audit Matter

Raw material / Energy / Utilities 7	Financial services 2	Retail 2
	Services - Other 2	Information / Media / Publishing / Consulting / Education 1
Manufacturing - Other 5	Leisure / Accommodation 1	Medical / Pharmaceuticals / Chemicals 1

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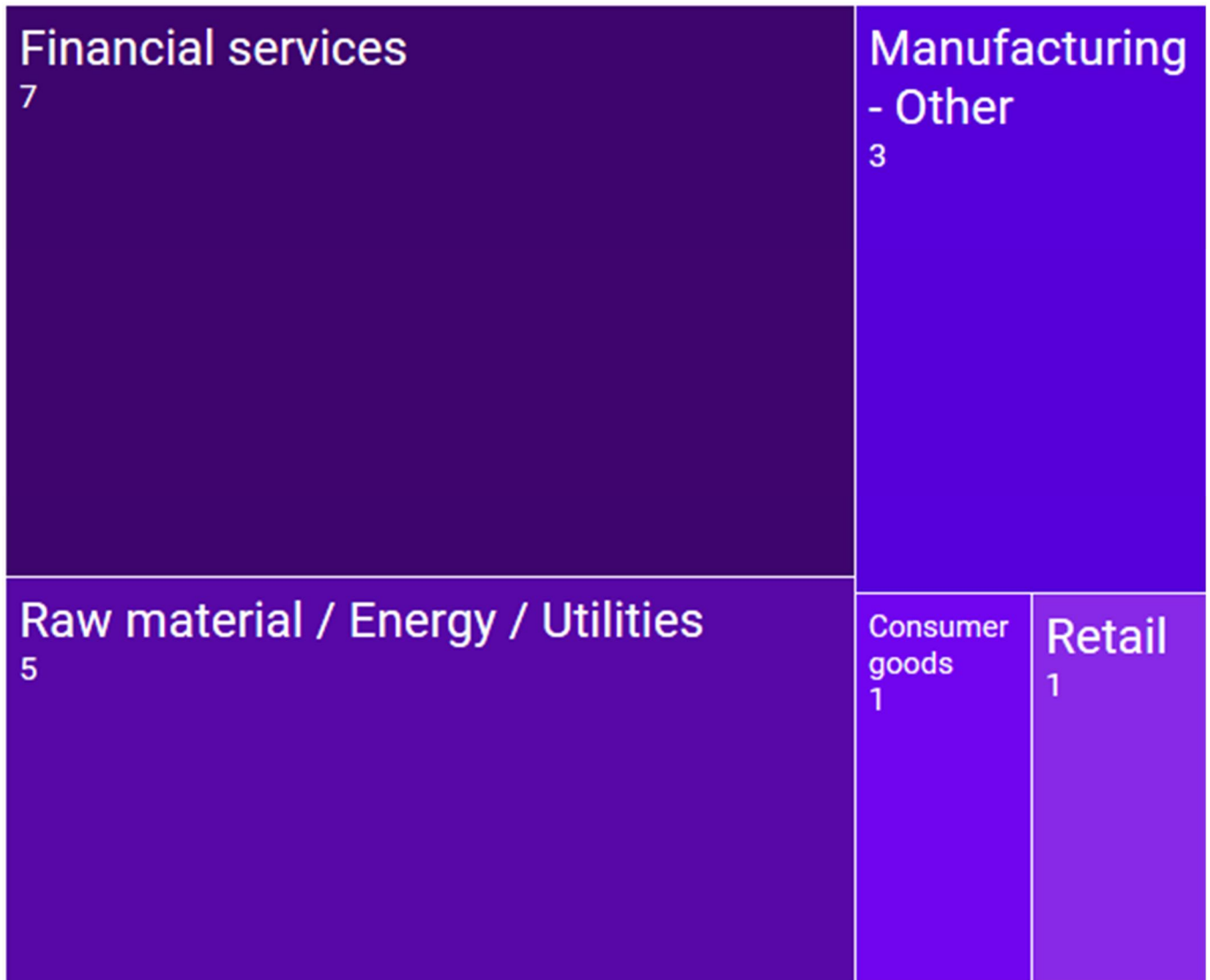
Sectors for the “Fraud in Revenue Recognition” Key Audit Matter

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

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Sectors for the "Financial Instruments" Key Audit Matter



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Sectors for the "Inventories" Key Audit Matter

Retail 5	Information / Media / Publishing / Consulting / Education 2	Medical / Pharmaceuticals / Chemicals 2		
			Manufacturing - Other 4	Construction / Real estate 1
				Raw material / Energy / Utilities 1

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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 / Pharmaceuticals / Chemicals 1		Services - Other 1
Manufacturing - Other 3	Raw material / Energy / Utilities 1		
	Security / Military 1		

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

Manufacturing - Other 4	Consumer goods 2	
	Information / Media / Publishing / Consulting / Education 1	Medical / Pharmaceuticals / Chemicals 1
Raw material / Energy / Utilities 3	Services - Other 1	

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

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

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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		

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Sectors for the "Disposals" Key Audit Matter

Construction / Real estate 3	Consumer goods 1	Financial services 1
	Information / Media / Publishing / Consulting / Education 1	Services - Other 1
	Raw material / Energy / Utilities 2	

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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 1	Leisure / Accommodation 1

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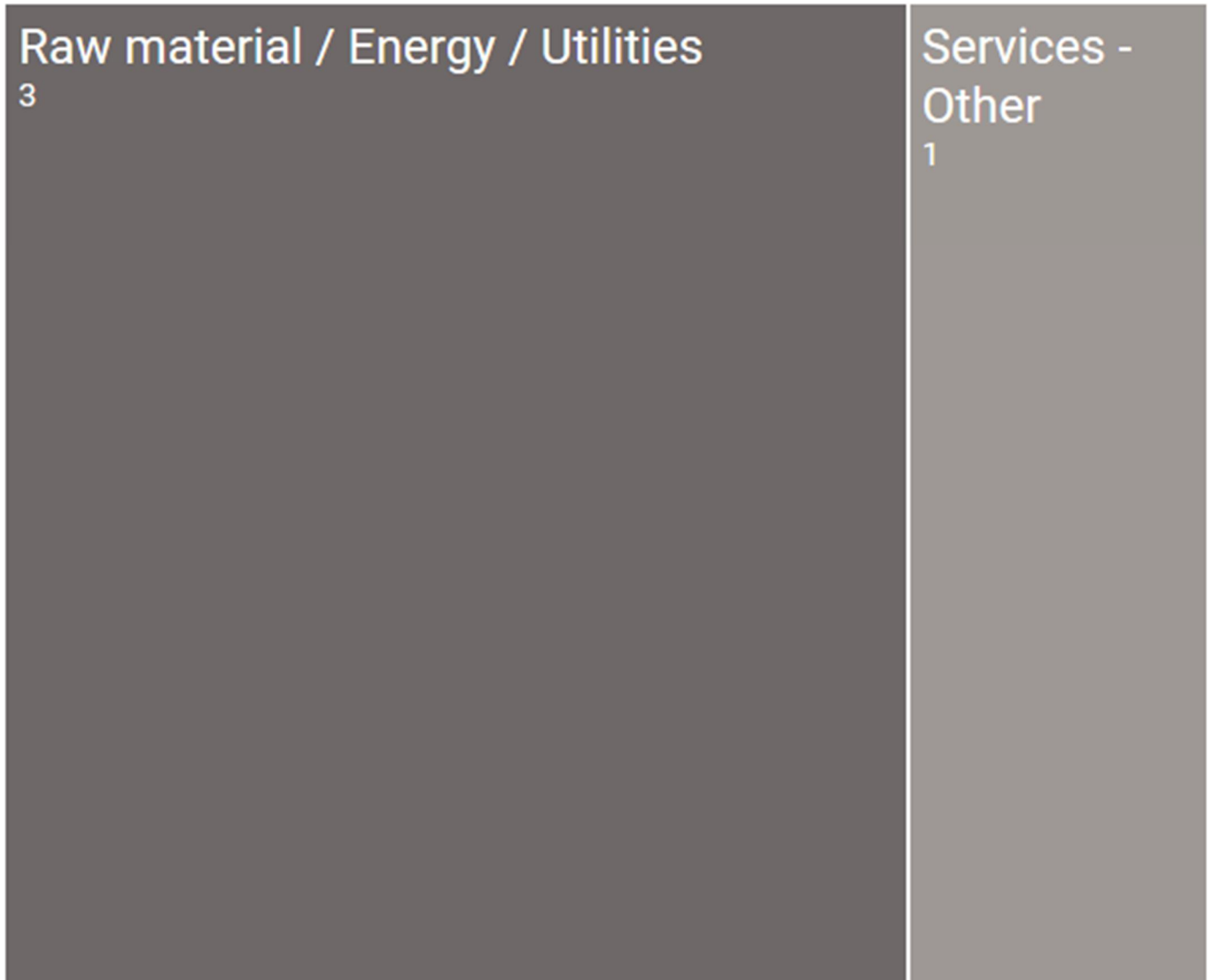
Sectors for the "Receivables" Key Audit Matter

Raw material / Energy / Utilities 5	Manufacturing - Other 2
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Sectors for the "Going Concern" Key Audit Matter



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Sectors for the "Share Based Payments" Key Audit Matter

Manufacturing - Other

1

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