
ENHANCED AUDITOR REPORTING - ONE YEAR ON



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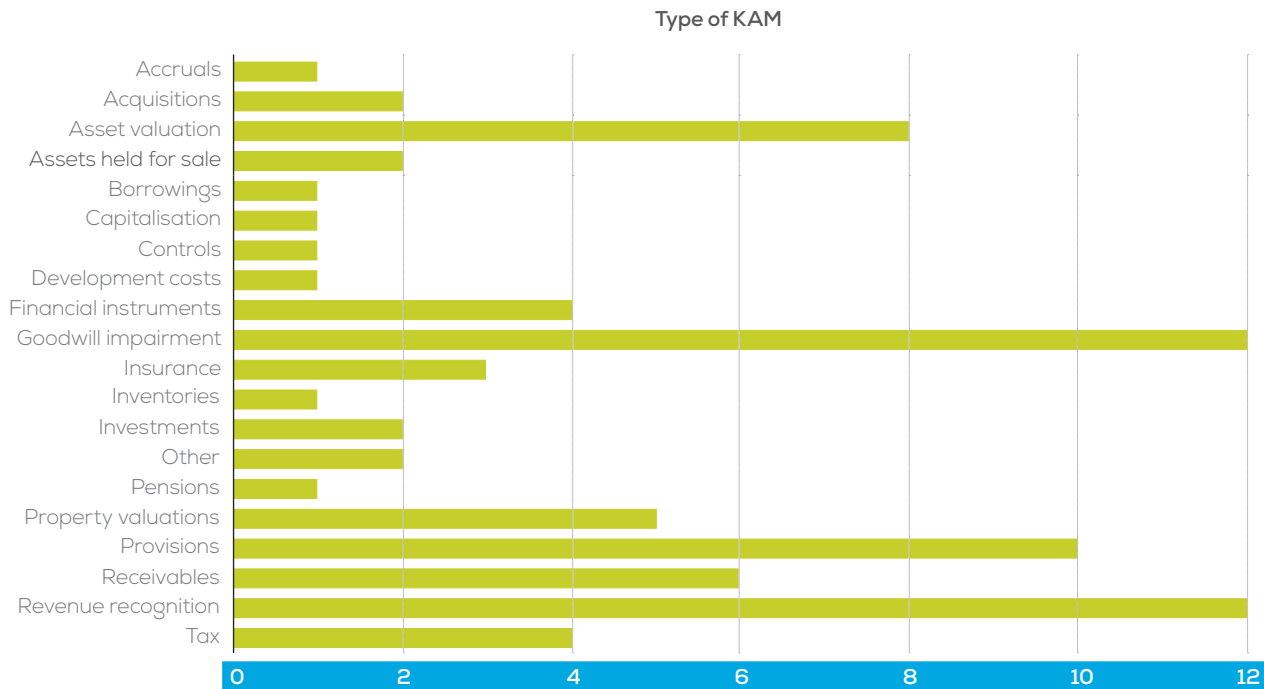
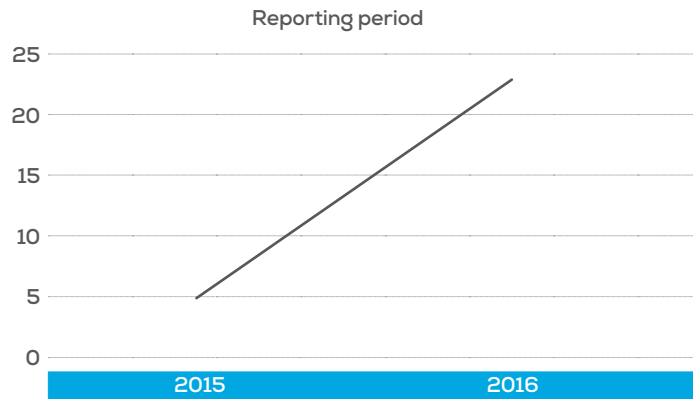
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From 15 December 2016, auditor’s reports of all listed entities in Australia and listed issuers in New Zealand will be required to provide information about key audit matters (KAM).

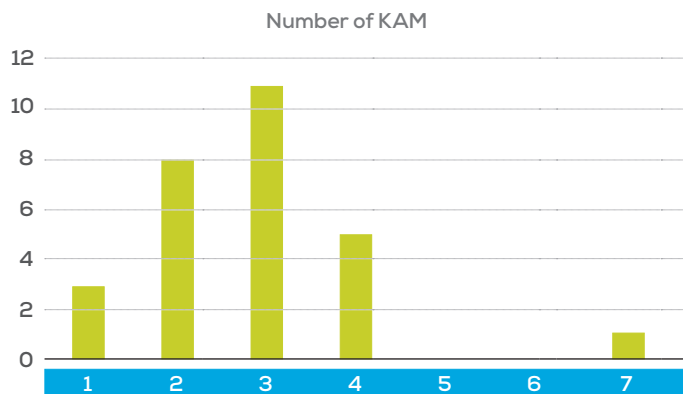
As at 31 August 2016 we have identified 28 audit reports that have been released with KAM, 20 in Australia and eight in New Zealand. These are detailed in the Appendix. Six different firms have issued new style audit reports.

There were five early adopters for the 2015 reporting season; Downer EDI, Cochlear, ASX, QBE and NZX, with a further 20 organisations joining them for the 2016 reporting season. Downer EDI, Cochlear and ASX have all published two enhanced audit reports.

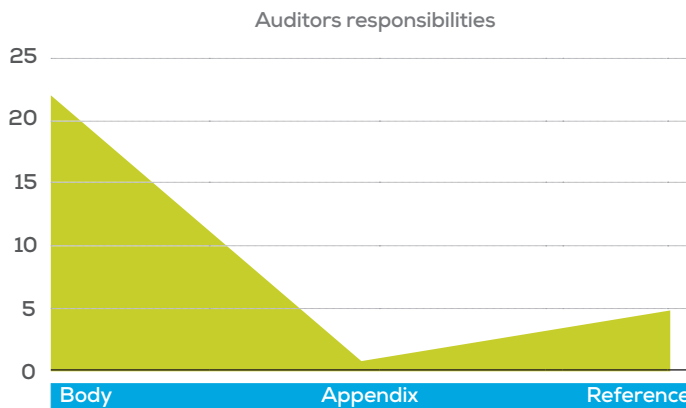
The nature of the KAM reported are diverse and bespoke to each entity and its industry. Common KAM are revenue recognition, goodwill impairment, provisions and asset valuation. Even though there are common KAM, the description is unique to the entity.



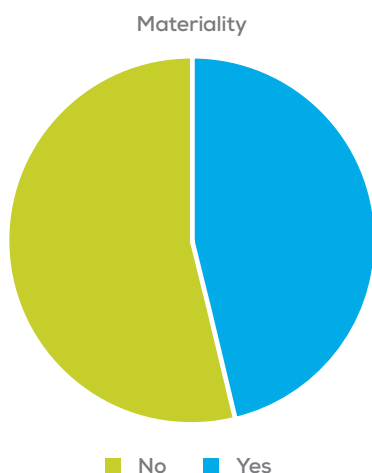
The auditing standards do not specify how many KAM should be reported. The number of KAM will vary between entities – including for those entities in the same industry and including the same entity year on year. The number of KAM reported ranges between one and seven, with the most common being three. A matter that is included as a KAM in one period does not automatically become a KAM in the following period. This is evidenced by Downer EDI where two matters were no longer KAM in 2016. The KAM are the same year on year for Cochlear and ASX.



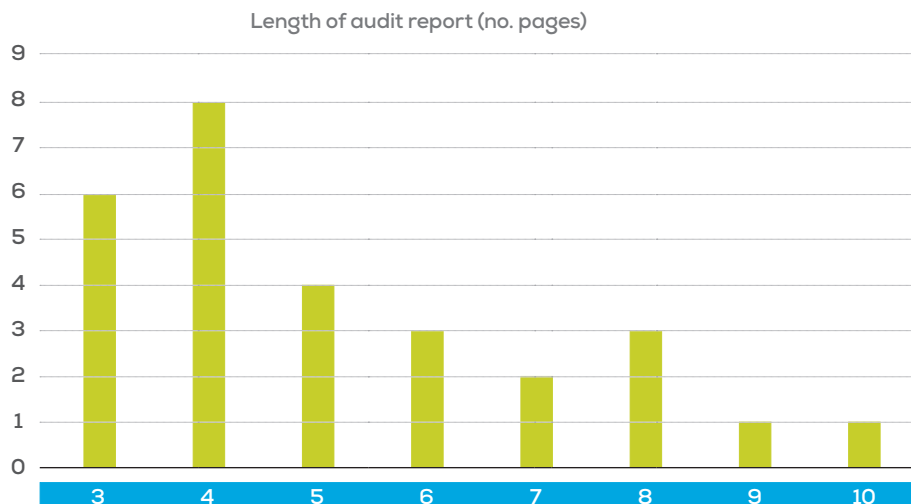
The auditing standards provide three options for presenting the auditors responsibilities; in the body of the audit report, in an appendix to the audit report, and reference to where they appear on the standard setter's website (although this option came in later). Most have elected to present the auditor responsibilities in the body of the audit report, one has included them as an appendix, and the reference method was used in five.



13 of the 28 audit reports also contain information on materiality, despite it not being a mandatory requirement of the auditing standards.



The number of KAM, and the inclusion of auditors responsibilities and materiality obviously all impact on the length of the audit report. It varies from three pages up to 10, and four pages being the most common.



APPENDIX: EARLY ADOPTERS

Entity	Audit firm	# of KAM	KAM topics	# pages in audit report	Materiality	Auditors responsibility	Date of audit report
AUSTRALIA							
Downer EDI	KPMG	4	<ul style="list-style-type: none"> Revenue recognition Acquisition of a business Impairment of goodwill Plant and equipment valuation 	5	x	Body	6/8/15
Cochlear	KPMG	3	<ul style="list-style-type: none"> Provision for patent dispute Provision for product recall Recoverability of trade receivables 	4	x	Body	11/8/15
ASX	PwC	2	<ul style="list-style-type: none"> Impairment of goodwill Valuation and existence of available-for-sale financial assets 	3	✓	Body	20/8/15
QBE Insurance Group	PwC	4	<ul style="list-style-type: none"> Valuation of goodwill Valuation of net outstanding claims Recoverability of deferred tax assets Valuation of investments 	7	✓	Body	23/2/16
Credit Corp	Hall Chadwick	2	<ul style="list-style-type: none"> Carrying value of purchased debt ledger Provision for expected losses on the consumer loans 	5	x	Body	2/8/16
Downer EDI	KPMG	2	<ul style="list-style-type: none"> Revenue recognition Valuation of goodwill 	4	x	Body	4/8/16
Suncorp Group	KPMG	4	<ul style="list-style-type: none"> Measurement of outstanding claims liabilities and related assets arising from reinsurance contracts and other recoveries Specific and collective impairment provisions for loan and advances Valuation of life insurance contract liabilities Valuation of goodwill and other intangible assets 	8	x	Body	4/8/16
Cochlear	KPMG	3	<ul style="list-style-type: none"> Provision for patent dispute Provision for product recall Recoverability of trade receivables 	4	x	Body	9/8/16
AGL Energy	Deloitte	7	<ul style="list-style-type: none"> Unbilled revenue Unbilled distribution costs Carrying value of property, plant and equipment and intangible assets, including goodwill Carrying value of natural gas assets Financial instruments Electricity hedging contract Deferred tax asset relating to tax losses 	8	x	Body	10/8/16
Telstra Corporation	EY	4	<ul style="list-style-type: none"> Revenue recognition Reliance on automated processes and controls Impairment of the goodwill and intangible assets Employee entitlements and post-employment benefits 	3	x	Body	11/8/16
Service Stream	PwC	3	<ul style="list-style-type: none"> Valuation of goodwill Revenue recognition Recoverability of accrued revenue 	7	✓	Body	17/8/16
ASX	PwC	2	<ul style="list-style-type: none"> Impairment of goodwill Valuation and existence of available-for-sale financial assets 	4	✓	Body	18/8/16

Entity	Audit firm	# of KAM	KAM topics	# pages in audit report	Materiality	Auditors responsibility	Date of audit report
Pioneer Credit	PwC	3	<ul style="list-style-type: none"> Accounting policy of recording purchased debt portfolios (PDPs) at fair value Estimating the fair value of PDPs Borrowings 	9	✓	Body	19/8/16
Monadelphous Group	EY	2	<ul style="list-style-type: none"> Revenue recognition Accounting for legal and other contractual claims 	6	✗	Body	22/8/16
Asia Pacific Data Centre Group	KPMG	1	<ul style="list-style-type: none"> Valuation of investment property 	4	✗	Body	23/8/16
Ausdrill	PwC	4	<ul style="list-style-type: none"> Impairment of non-current assets Recoverability of deferred tax assets Inventory existence Sale of non-core assets 	10	✓	Body	24/8/16
WorleyParsons	EY	3	<ul style="list-style-type: none"> Revenue recognition Valuation of trade receivables Impairment of goodwill 	6	✗	Body	24/8/16
Steadfast Group	KPMG	2	<ul style="list-style-type: none"> Impairment of goodwill, intangible assets and investments in associates Decentralised operations 	5	✗	Body	24/8/16
Platinum Asset Management	PwC	3	<ul style="list-style-type: none"> Revenue recognition Offshore banking unit taxation Accounting for investment vehicles 	8	✓	Body	25/8/16
Saracen Mineral Holdings	BDO	3	<ul style="list-style-type: none"> Provision for rehabilitation Carrying value of ore stocks and mine properties Carrying value of the deferred stripping asset 	6	✗	Appendix	25/8/16

NEW ZEALAND

NZX	KPMG	2	<ul style="list-style-type: none"> Impairment of goodwill Acquisition of business 	4	✓	Reference	23/2/16
Kiwi Property	PwC	1	<ul style="list-style-type: none"> Valuation of investment properties 	4	✓	Reference	16/5/16
TradeMe	EY	2	<ul style="list-style-type: none"> Impairment of goodwill Capitalised development costs 	3	✗	Reference	17/8/16
Precinct Properties	EY	3	<ul style="list-style-type: none"> Valuation of investment property Valuation of development property Revenue recognition 	3	✗	Body	17/8/16
Genesis Energy	Deloitte	3	<ul style="list-style-type: none"> Valuation of generation assets Valuation of electricity derivatives and cross currency interest rates swaps Kupe reserves estimate 	3	✓	Body	23/8/16
Metlifecare	PwC	1	<ul style="list-style-type: none"> Valuation of investment properties and care homes 	5	✓	Reference	24/8/16
Air New Zealand	Deloitte	3	<ul style="list-style-type: none"> Revenue recognition Aircraft lease return costs Aircraft residual values and useful lives 	4	✓	Body	26/8/16
Chorus	KPMG	3	<ul style="list-style-type: none"> Capitalisation and asset lives CFH securities and derivative financial instruments Revenue recognition 	3	✓	Reference	29/8/16

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