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An exploratory study of the nature and extent of Key Audit Matters reported: A comparison between South Africa, Australia and the United Kingdom

A research report submitted by

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In partial fulfilment of the requirements for the degree of

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University of the Witwatersrand

Declaration

I hereby declare that this research report is my own unaided work. It is submitted in partial fulfilment of the degree of Master of Commerce by Coursework and Research Report at the University of the Witwatersrand, Johannesburg. It has not been submitted elsewhere for the purpose of being awarded another degree or for examination purposes at any other university.

Zainab Abdulla
28 February 2020

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II. Key terms

Abbreviation	Description
KAM	Key Audit Matter
CAM	Critical Audit Matter
FRC	Financial Reporting Council
ISA	International Standards on Auditing
IFRS	International Financial Reporting Standard
IAASB	International Auditing and Assurance Standards Board
JSE	Johannesburg Stock Exchange
LSE	London Stock Exchange
ASX	Australian Securities Exchange
UK	United Kingdom
ACCA	Association of Chartered Certified Accountants

III. Abstract

Key Audit Matters (KAMs) are a significant and new addition to the audit report and was implemented for the purpose of reducing the information gap. This study aims to explore the nature and extent of KAMs reported between South Africa, Australia and the United Kingdom (UK). The researcher conducted a content analysis on 300 independent audit reports of the top 50 listed companies in South Africa, Australia and the United Kingdom for financial years 2017 and 2018. The nature of KAMs reported across the three countries was largely similar and consisted of asset valuation, goodwill and intangible asset impairments, taxation and financial instruments. Specifically, in the financial sector, the UK and Australia have reported a higher number of IT-related issues. Significant transactions and valuations which include judgements made by management are generally seen as areas of high risk. In respect of the extent of KAMs reported, the UK generally reports a higher number which may be a result of the earlier implementation of KAMs where all significant risks were disclosed. South Africa reported the lowest number of KAMs across all platforms among the three countries. This study is the first to compare KAMs among the above three countries. It makes an important contribution to the academic literature by adding to the limited body of research on KAMs and comparisons across countries. The results obtained provide insights on KAMs reporting to auditors in high risk markets and encourage new research in this field.

1. Introduction

1.1 Background of the study

The auditing profession has been scrutinised in the 21st century. This is caused by the corporate financial scandals. The corporate financial scandals have revealed that reputable companies were manipulating their accounting records (Duska, Duska, & Kury, 2018). In South Africa, the Steinhoff saga in 2018, where Deloitte & Touché was the statutory auditor, is seen as the biggest corporate fraud case in the country's history (Rossouw & Styan, 2019). The top executives of Steinhoff were found responsible for committing $7.4 billion worth of accounting fraud caused by recording irregular and fictitious transactions. The right of Steinhoff to use the audit opinion issued by Deloitte & Touché was later withdrawn, following the revelation that Steinhoff's 2016 financial statements were not in compliance with Dutch law. In the United Kingdom (UK), the audit firm Ernest & Young (EY) was under the spotlight for incorrectly signing off the now cash-strapped Thomas Cook as a going concern in 2018 (Wilson, 2019). In Australia, Fujifilm has allegedly committed major accounting fraud. EY was also the statutory auditor of Fujifilm. It was found that around 30% of Fujifilm's total sales in 2016 consisted of revenue which was inappropriately recognised. The result was the removal of EY as Fujifilm's statutory auditors (Xerox, 2017).

The impact of corporate fraud scandals on the world markets is significant (Gatzert, 2015).The public are seen to question the root causes which lead to these events as well as the parties involved. The major questions which arise are: who are the auditors and what was their involvement (DeZoort & Harrison, 2018)? The public's response outlined the gap in communication between auditors and users of financial statements which needed to be reduced. It was seen that the public believed that the previous auditor's report provided insufficient insight into the audit conducted. Financial statement users urged regulators and national standard setters to extend the role of the auditor in delivering early warning signals of any potential crisis as well as to provide additional insight into the audited financial statements (Bradbury & Almulla, 2018; Masdor & Shamsuddin, 2018).

The International Auditing and Assurance Standards Board (IAASB) responded to stakeholders' dissatisfaction with the current audit report in January 2015 by releasing International Standard on Auditing (ISA) 701 *Key Audit Matters* (Kachelmeier, Schmidt, & Valentine, 2017; Masdor & Shamsuddin, 2018; Simnett & Huggins, 2014). Key Audit Matters (KAMs) are those matters which require significant auditor attention in performing the audit and are determined using the auditor's professional judgement (IAASB, 2015). They are determined by considering areas of higher risk, significant auditor judgement and the effect on the audit of significant events or transactions. These matters are identified when following a risk-based audit approach and are usually selected from matters communicated to those charged with governance. The audit report of listed companies must contain a separate

section to disclose the KAMs identified during the audit (IAASB, 2015). The ultimate objectives of KAMs are to reduce information asymmetry and to achieve more efficiency in capital allocation (Min & Kee, 2019). The amendments introduced by ISA 701 are effective for periods ending on or after 15 December 2016, although earlier adoption was also permitted. The UK was the first to adopt the disclosure of KAMs in 2013 (FRC, 2016). Australia and South Africa have adopted ISA 701 since the date it became effective.

The drawbacks and benefits of expanding the audit report by disclosing KAMs has been analysed in a few studies by the following authors (Bédard, Gonthier-Besacier, & Schatt, 2014; Cordoş & Fülöp, 2015; Sirois, Bédard, & Bera, 2018b). According to Masdor & Shamsuddin (2018), ISA 701 is the most significant standard as it is fundamental to the reduction of the existing expectation gap in the auditing profession, caused by the lack of communication between auditors and the public. The expectation gap is reduced as the auditor extends its role by disclosing KAMs which provides additional insight to the public. Other studies have identified that KAMs contain communicative value, and that disclosing KAMs may reduce auditor liability.

It was identified that research conducted on the nature and extent of KAMs is limited. Additionally, there is no existing body of research on the comparison of the nature and extent of KAMs reported by South Africa, the UK and Australia. This has created an opportunity for this research to compare the nature and extent of KAMs reported by South Africa, the UK and Australia.

1.2 Research purpose

This study is aimed at exploring the nature and extent of KAMs reported in the auditor's report for the top 50 listed companies in South Africa, the UK and Australia. South Africa has been highly regarded worldwide in the auditing profession, achieving one of the highest ratings for accounting practices and audit reporting (Segal, 2017). This study will assist in identifying whether South Africa is comparable to the UK and Australia in terms of reporting KAMs. Furthermore, it will compare the differences in KAM reporting among the UK (the first implementer), South Africa and Australia (subsequent implementers of KAMs reporting). This is consistent with a quotation from former PCAOB Chairman James R. Doty, who believed that due to the UK adopting the standards on the expanded report earlier, the UK benefits from a growing body of evidence and experience (ACCA, 2017).

1.3 Research questions

In addressing the research problem, two broad research questions have been constructed. The first research question is aimed to address the nature of KAMs reported in South Africa, Australia and the UK. The term nature refers to type or kind. The first research question is:

- What is the nature of KAMs which are reported for the top 50 listed companies in South Africa, Australia and the UK?

The second research question is aimed at addressing the extent of KAMs reported in South Africa, Australia and the UK. The term extent refers to the size or scale of something. The second research question is:

- What is the extent of KAMs reported for the top 50 listed companies in South Africa, Australia and the UK?

The sub questions used in addressing the two broad research questions is outlined in the methodology section.

1.4 Significance of the study

This study contributes to the limited literature on KAMs. ISA 701 is a new standard and there is a need for academic research to investigate the implementation of the standard. This exploration may verify the practical existence of the suggested benefits from the disclosure of KAMs anticipated by regulators and standard setters. Additionally, these results will provide insights on KAMs reporting to auditors in other markets and encourage scholars to undertake new research in this field (Seyfried, 2016).

An interest has been expressed by regulators in research which studies the effects of this new reporting requirement (PCAOB, 2017). The IAASB plans to conduct a post-implementation review of ISA 701. The results obtained from this study may provide added information regarding the assessment of the type of KAMs being reported and whether the KAMs are providing impactful information to users of financial information. This study provides evidence for standard setters and regulators on the extent to which the enhanced auditor's report regulations achieve their intended objectives (PCAOB, 2017)

1.5 Limitations and delimitations

Limitations are described as uncontrollable conditions or influences relevant to the study (P. D. Leedy & J. E. Ormrod, 2013). This study will not consider the KAM disclosures of all the companies listed on the Australian Securities Exchange (ASX), Johannesburg Securities Exchange (JSE) and London Stock Exchange (Brasel, Doxey, Grenier, & Reffett, 2016), because of time constraints.

Delimitations are described as the boundaries set by the researcher in respect of the study (Leedy & Ormrod, 2013). This study will consider only the top 50 primary listed companies based on market capitalisation on the JSE, LSE and ASX. The study has limited the selection to primary-listed companies as companies tend to adhere more stringently to disclosure requirements where they are primary listed (Chemmanur & Fulghieri, 1998). Dual-listed companies which have a listing on either the JSE, LSE or the ASX will be included as listed on the JSE, LSE and ASX. The disclosure of KAMs is voluntary for all non-listed companies and will not be considered in this study.

The period for which the audit reports are considered for the disclosure of KAMs, is limited to 1 January 2017 until 31 December 2018. This is selected as the effective date for the reporting of KAMs is for financial years ending on and after 15 December 2016. The audit reports selected are required to contain the disclosure of KAMs. The period between company's financial year-end and the date the audited financial statements are issued also tend to lag, especially in emerging markets (Leventis & Weetman, 2004). Consequently, the financial year 2019 is not considered because of uncertainty of the availability of issued audited financial statements of the companies considered in the study.

The remainder of this report include the literature review. This will be followed by the methodology which provides insight into the method used to obtain and analyse data relevant to the research question. A discussion of the results obtained from the data analysis is outlined and lastly, the conclusion is provided.

2. Literature review

The purpose of this literature review is to provide an analysis of key findings, concepts and developments which are relevant to KAMs. In achieving this, firstly, theories applicable to auditing are discussed, followed by the developments in the auditing profession. This will be followed by a detailed account of the requirements and the post-implementation effects of KAMs. The research is aimed at comparing KAM disclosures reported by South Africa, the UK and Australia. The last section discusses auditing in the context of South Africa, the UK and Australia.

2.1 Agency theory

According to ISA 701, KAMs are described as areas which were considered by the auditor to be most significant during the audit and disclosed in the auditor's report. Areas which include significant management judgement may be disclosed as a KAM. This reference to managements judgement will further be explored in the context of the principal-agency theory.

The principal-agency theory is based on understanding the separation between the ownership of an entity and how it is controlled. The principal (the owner) extends the responsibility of controlling and managing the entity to its agents (the manager). The objective of the agent's responsibilities includes both maintaining the entity's capital and adding value. In certain instances the agents are faced with conflicts of interest between the trade-off of personal wealth and their responsibility of maximising shareholders' wealth (Eisenhardt, 1989a; Fama, 1980). This may be caused by agents having access to more information relating to the entity, than the owners have. As a result, an opportunity is created for agents to use this information for personal benefit. This describes what is known as the principal-agency problem (Nwaobia, Luke, & Theophilus, 2016; Watts & Zimmerman, 1983).

The risks which arise from the principal-agent relationship can, however, be mitigated through independent inspection (independent audit) and strategic compensation systems (Feltham & Xie, 1994; Pavlou, Liang, & Xue, 2007). Compensation systems which reward management for acting in the best interest of the entity can align the goals of both the principal and agent (Eisenhardt, 1989b). Another mitigating factor is the introduction of an independent party (an audit firm) hired on behalf of the principal to report on the representations made by the agents (Nwaobia, Luke, & Theophilus, 2016). Agents (management) are bound by their written employee agreements which are aimed at reducing the opportunity for the agent to act in his/her own interest to the detriment of the principal. For these contracts to be enforced, management activities are monitored in the form of an external audit (Watts & Zimmerman, 1983). The audit opinion and audit report are identified as the audit firm's role in mitigating the agency problem (Jensen & Meckling, 1976). The legitimacy of these representations may be enhanced by auditor liability. Auditors may be held liable for the issuance of a reckless audit

opinion or audit report. The Companies Act 71 of 2008 of South Africa and the Corporations Act for the UK and Australia all constitute auditor liability (Nguyen & Rajapakse, 2008).

Recently there have been many corporate financial scandals reported, where the principal-agency problem may be identified. In South Africa, the CEO of Steinhoff was found to have committed major fraudulent financial reporting which had a material adverse effect on the value of its share price (Naudé, Hamilton, Ungerer, & Malan, 2018). Fuji Xerox Australia's management came under fire after a $450million shortfall was revealed as a result of the overstatement of earnings (Jenkin, 2018). Finally, in the UK, Patisserie Valerie Holdings (a chain of cafes) was suspended from trading their shares following the revelation of fraudulent accounting irregularities. A man was arrested for his involvement in the material differences between the reported and current shortfall of the company's financial status and auditor's Grant Thornton received major criticism for signing off on the report (Blackburn, 2019).

ISA 701 may contribute to the mitigation of the principal-agency problem by reporting on KAMs which include the involvement of management activities, decisions and judgements. Examples of these KAMs are valuations which requires management judgements and estimations and areas susceptible to management override of control which may result in fraud in revenue recognition. This enhanced disclosure in the audit report may assist shareholders (the principal) in identifying areas which may be influenced by management (the agent). The extent of KAMs reported in South Africa, the UK and Australia will be identified as they relate to aspects of management involvement.

Prior studies have shown that management may be enticed to adopt less aggressive financial reporting in anticipation of the auditor disclosing those areas as KAMs (Gold & Heilmann, 2019). Another study investigates the effect of KAM disclosure on the way management communicates with auditors. According to this study, as management is aware that auditors will disclose their accounting choices under KAMs, management is less likely to share private information about their accounting choices. This is seen as a potentially adverse effect of the disclosure of KAMs (Gold & Heilmann, 2019).

The next section is aimed at exploring developments in the auditing profession. This is important as the disclosure of KAMs has been seen to be significant in terms of the context of audit and particularly the auditor's report.

2.2 The Auditing profession

2.2.1 The meaning of auditing

The concept of auditing has multiple meanings. A contributing factor to this is the continuing advancement of auditing. Auditing has advanced to respond to the needs of individuals who

require reassurance on the information, conduct or performance of an item over which they possess a vested interest. These individuals may, for whatever reasons, be unable to obtain the reassurance on their own, resulting in the existence of the audit function (Teck-Heang & Ali, 2008). Auditing can be seen as a measure of social control as it aims to assist as a conduct and performance monitoring mechanism which may secure and enforce accountability (Teck-Heang & Ali, 2008).

Contrary to the profession's preferences, the meaning of audit has been linked with fraud detection, warning of impending bankruptcy, guaranteeing the accuracy of information and financial soundness (Koh & Woo, 1998; Monroe, 1994). ISA 200 has described the objective of an audit as expressing an opinion on whether an entity has prepared their financial statements in accordance with the applicable regulatory framework (IAASB, 2004). The pressure placed on the auditing profession to refine or revise the meaning and objective of an audit is closely linked to the social, economic and political developments of modern events such as corporate financial scandals (Sikka, Puxty, Willmott, & Cooper, 1998). The next section will expand on the developments in the auditing profession.

2.2.2 Developments in the auditing profession

The existence of audit can be traced to the initial development of business corporations in the form of merchant guilds[1], as early as the 12th Century. It advanced gradually into the type of audit required by the first English Companies Act enacted in 1844 (Watts & Zimmerman, 1983). The requirements of law and market regulations forced companies to obtain an independent auditor to verify financial results. These regulations caused the use of professional auditors to become widespread (Watts & Zimmerman, 1983).

Auditing methods have also progressed over time. The initial audits between the 12th and 15th century did not only comprise of counting cash and assets on hand. Instead, the audit included a detailed examination of expenditures (Watts & Zimmerman, 1983). In the 1970s, a term known as "systems-based auditing" was favoured as a result of accounting becoming more computerised which meant reducing substantive testing and placing reliance on systems of control. Prior to that, the auditing method predominantly used was test of detail through manual inspection and observation. There was minimal and, in some instances, no reliance placed on internal controls (Byrnes et al., 2018). When systems-based auditing was implemented, practitioners still chose to make use of both test of controls and considerable test of detail (Turley & Cooper, 1991).

[1] Merchant guild are described as a local association for merchants which regulated local and international trade (Greif, Milgrom & Weingast, 1994).

In the 1980s, a similar pattern was observed with the initial implementation of the audit risk model which allowed auditors to rely on evidence from their evaluation of controls. Prior research suggests though that when there was high risk, reliance could not be placed on controls, audit risk[2] was primarily controlled through test of detail. As a result, a risk-based audit model uses both test of detail and test of controls. The purpose of shifting towards a risk-based audit was to provide a value-added service to audit clients by identifying an entity's area of high risk. This was aimed at enhancing the status and profitability of audit firms (Curtis & Turley, 2007).

Risk-based auditing is relevant to this study as KAMs are explained as areas of significance identified during an audit, which includes high risk areas. These areas are identified following a risk-based audit approach. Risk-based auditing is discussed in the next section.

2.2.3 Risk-based auditing

Auditors in South Africa and the UK are guided by the principles provided in the International Auditing Standards (ISA's). In an Australian context, auditors are guided by Australian Auditing Standards (ASA's) which are very similar to the ISA's. The difference between the ISA's and ASA's is the difference in the jurisdictions in which it applies. ISA's are applied internationally whereas ASA's are applied in the Australian jurisdiction.

The ISAs follow a risk-based auditing model. In terms of this model, the starting step is assessing risks of misstatement (IAASB, 2009), followed by the design and performance of audit procedures aimed at reducing the assessed risk of misstatement to an acceptably low level. To reduce the risk of misstatement to an acceptably low level, auditors design audit procedures such as increasing test of details, which will ensure that the risk material misstatement is addressed sufficiently. Auditors should collect sufficient appropriate evidence to support an opinion on the financial statements and provide users with a rational basis for relying on those financial statements by following a risk-based audit (IAASB, 2009). A brief overview of risk-based audit can further be understood by the illustration below:

Table 1: The process of risk-based auditing

Assessing the risk of material misstatement **ISA 315**

[2] Audit risk is explained as the risk that an auditor is unable to detect material misstatements (Brumfield, Elliott, & Jacobson, 1983).

The auditor is required to perform risk assessment procedures to identify and assess the risks of material misstatement (ROMM) at the financial statement level and the assertion level. The auditor will consider the following when exercising judgement about whether a risk is significant: • Is there a risk of fraud? • Does the risk require specific attention as it relates to recent significant economic, accounting or other developments? • Is there a risk relating to complexity in the transactions? • Is there a risk of significant transactions with related parties? • Is there a risk of high degree of subjectivity in the measurement relating to financial information? Is there a high range of measurement uncertainty relating to the measurement? • Is there a risk of unusual significant transactions of the entity? (IAASB, 2009)	These are a few examples of conditions and events which may indicate ROMM at the financial statement and assertion level: • New accounting pronouncements which are applied. • Complex processes in determining accounting measures. • Events or transactions which contained significant measurement uncertainty, including accounting estimates which contain significant management judgement. • Operations exposed to a great deal of complex regulation. • Specific ROMM can be identified by the industry in which an entity operates because of the nature of the business or the degree of regulation it is subject to.



Responding to assessed risk of material misstatement

ISA 330	
Following the risk assessment, the auditor will respond to those risks in accordance with ISA 330. ISA 330 states that the auditor will respond to the identified assessed risks of material misstatement with appropriate audit procedures (IAASB, 2010a)	The nature of audit procedures includes substantive procedures and test of controls. These terms are defined as follows: • Substantive procedure – It is designed at identifying material misstatement at the assertion level. It includes both testing detail and performing analytical procedures. • Test of controls – it is designed to assess whether the controls are operating effectively at the assertion level in preventing, detecting and correcting material misstatements.



Developing an audit opinion
Once the auditor has obtained sufficient audit evidence and has complied with the relevant ISA's, it is able to issue an audit opinion. An audit opinion indicates whether the financial statements are fairly presented in compliance with the relevant financial reporting standard.
The table below describes how an audit opinion is formed from the audit evidence obtained

Table 2: Formation of audit opinion in line with ISA 705

(IAASB, 2008)

	Auditor's Judgement Regarding the Pervasiveness of the Matter	
Nature of Matter	**Material but Not Pervasive**	**Material and Pervasive**
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate evidence	Qualified opinion	Disclaimer of opinion

A matter is considered material if misstating will have an impact on the users of financial statements decisions which are influenced on the financial statements provided. A matter is considered pervasive if it is, firstly, not restricted to specific elements, accounts or items of financial statements. If the matter is restricted, it is pervasive if it represents a substantial portion of the financial statements. Lastly, a matter is pervasive if relates to disclosures which are fundamental to the users' understanding of the financial statements (IAASB, 2010b).

The audit report reflects the type of opinion issued. For instance, if a qualified or adverse opinion is issued the audit report must contain additional explanatory paragraphs referred to as basis for qualified/adverse opinion (IAASB, 2008). The following section will provide an in-depth look at KAMs which is a significant change in the auditor's report and the focus of this study.

2.3 Key audit matters

An insight into KAMs will be provided by, firstly, discussing the introduction of KAMs which includes the specific requirements of KAM disclosures as per ISA 701. This is followed by potential influences on KAM reported and may provide context in understanding auditors

selection of KAMs reported. In the next section, an initial post-implementation review of KAMS is identified in the context of South Africa, Australia and the UK, as well as the value relevance of KAMs. Finally, the effect on the audit expectation gap as a result of introducing KAMs will be discussed.

2.4 The introduction of key audit matters

Following the 2008 global financial crisis, the IAASB, Public Company Accounting Oversight Board (PCAOB) and the Financial Reporting Council (FRC) were urged to improve the communication value of the audit report (Simnett & Huggins, 2014). Despite the differences in jurisdictions, the proposals to these bodies have been similar. The IAASB initiated the development of revising auditing standards with the aim of improving audit quality. The IAASB responded to investors' demands for insight to be provided on the auditor's judgement when an opinion is formed (Gold, Gronewold, & Pott, 2012).

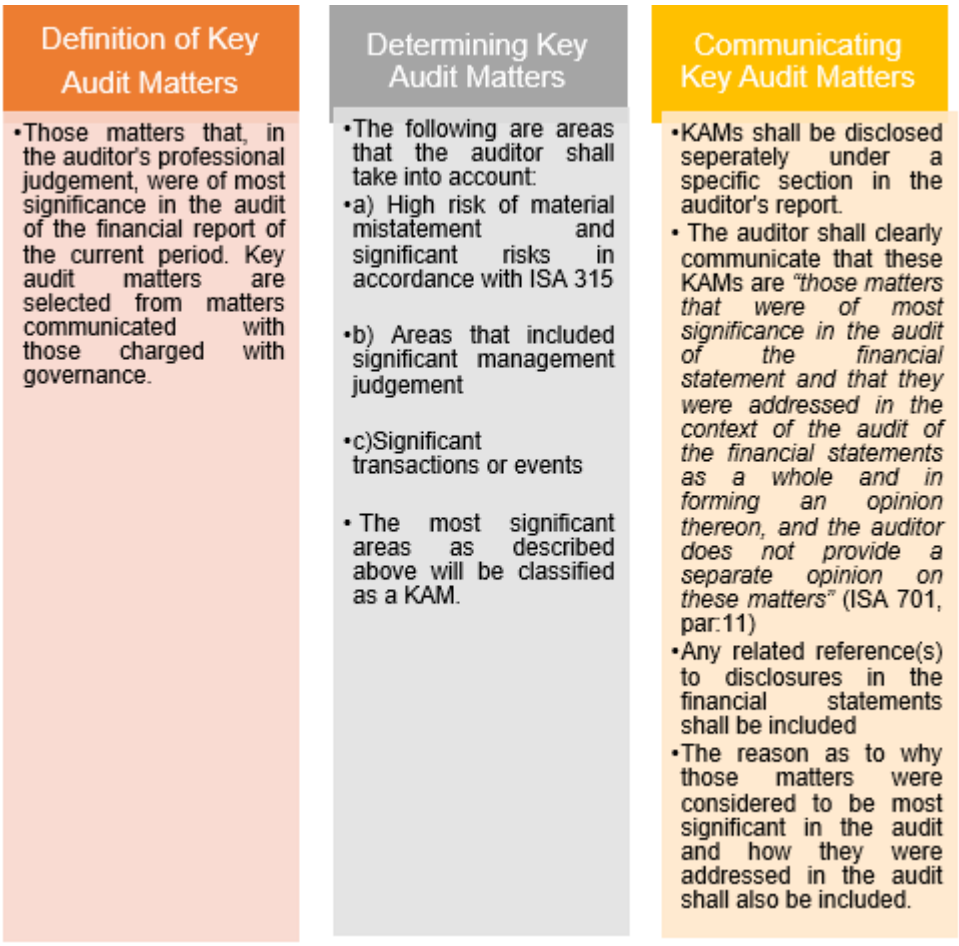
In 2015, the IAASB issued a series of auditing standards designed to achieve enhanced communication among auditors, investors and those charged with governance (IAASB, 2015). The inclusion of a new section in the auditors' report termed KAM is deemed to be the most noticeable change. KAMs are matters which were of most significance to the auditor and identified during the audit of the financial statements. The intention of this new section is to achieve greater transparency on details of the audit which may assist the stakeholders in understanding the risks related to financial reporting. The PCAOB has stated that information asymmetry is expected to be reduced by the enhanced auditors' report, which may result in capital being more efficiently allocated. The introduction of KAM disclosures has been praised as being revolutionary in the context of the profession's history. All the same, it is an open empirical question whether the enhanced audit report has, in fact, achieved its objectives (Bradbury & Almulla, 2018; Cordoş & Fülöp, 2015). This study may contribute to this question by identifying the nature and extent of the KAMs being reported.

KAMs was first adopted by the UK because of the decision made by the FRC to adopt the standards in 2013. The FRC was both the standard-setter and the audit oversight body in the UK and provided guidance to the auditors on the new disclosure. An example of the guidance provided is the number and type of KAMs reported. In the initial year of implementation in the UK, the auditors disclosed all their significant risks as KAMs. The KAMs included 'deemed' significant risks such as fraud in revenue recognition and management override control. The FRC conducted a post-implementation review and discouraged the auditors from disclosing all significant risks including 'deemed' significant risks as KAMs (ACCA, 2018).

The table below summarises the requirements of ISA 701 for reporting of KAMs:

Table 3: ISA 701 requirements for reporting KAMs

(IAASB, 2015).



2.3.1 Potential influencers of key audit matters

The potential influencers of KAMs will be observed in this section to assist with the analysis of the data obtained from the collection of KAMs reported in South Africa, the UK and Australia. In analysing the data, the nature and extent of KAMs will be scrutinised for different characteristics of the entity and audit firms. The explanations contained in this literature will assist the researcher in understanding the differences in the nature and extent of KAMs for the different characteristics of the entity which include its size, operating sector, applicable accounting standards, and statutory auditor.

Client characteristics are a significant influence of auditor judgement when identifying KAMs (DeFond & Zhang, 2014). This is because KAMs are selected considering the clients' risks that are identified by the auditor during the audit, using the auditor's judgement. Most notable client characteristics taken into account in the risk assessment made by the auditor include the clients' financial condition, comparable industry performance for the client (Johnstone, 2000). The information gathered during the client acceptance phase and the risk assessment

of the client is taken into consideration when developing an audit strategy (Carcello & Nagy, 2004).

Larger sized clients are considered to be high risk because of complexities in operations and operations which vary among more than one industry (Carcello & Nagy, 2004). More audit resources are required to be employed as part of the audit strategy for the audit of larger sized entities. These audit resources include additional audit staff and industry specialists (Basu & Wright, 1997). The audit strategy influences the judgement an auditor makes on areas of high risk. This is explained as areas of high risk which require additional audit judgement on the nature of tests to be conducted in respect of the audit strategy (IAASB, 2010a). Given that KAMs are defined as areas of significance during the audit, these high-risk areas may be disclosed as KAMs in the audit report. In this respect, the correlation between the size[3] of the company and the nature and extent of KAMs reported for these companies is reviewed as a component of this study.

In a previous study conducted, it was concluded that the business industry a client operates in is an important basis for judgements made on materiality and client's risk assessment (Iskandar, 1996). Industries do not have the same level of complexities in an audit (Pearson & Trompeter, 1994). Businesses such as financial institutions and utilities with greater assets are generally easier to audit than companies with extensive inventories, receivables or knowledge-based assets (Hay & Cordery, 2018; Sierra-García, Gambetta, García-Benau, & Orta-Pérez, 2019).

However, in other studies auditors are expected to issue more KAMs in respect of financial institutions than other entities because of higher complexities, obscurities and agency issues in the financial industry (Loew & Mollenhauer, 2019). The complexities identified in financial institutions are attributed to on and off-balance sheet values and risks which are often viewed by auditors as difficult to be understood and interpreted by users. Standard setters have developed complex and lengthy accounting standards aimed at capturing the fundamentals of financial instruments and transactions (Huian, 2012). IFRS 9 *Financial instruments* is a new accounting standard effective as at 1 January 2019 (IASB, 2014). Because of the complexities of the requirements of the standard it is seen to be a high-risk area in the audit. ISA 315 identifies the application of new accounting pronouncements as an area of risk of material misstatement.

Industries which have heightened regulation and supervision, such as financial institutions, have fewer high-risk areas identified by auditors regarding regulation compliance compared

[3] The proxy that will be used for the size of the entity is total assets. This is consistent with previous studies that have used total assets as a proxy (Carcello & Nagy, 2004)

to less regulated industries. This can be attributed to the supervision mechanisms in these entities or institutions, aimed at ensuring the entity's compliance with regulation. Auditors are expected to perform less audit work in the audit of banks over the compliance with regulation because of the supervision mechanism. This may translate into less KAMs regarding compliance being disclosed (Pinto & Morais, 2019).

Literature indicates that the type of accounting standard has an impact on the disclosure of KAMs. It is expected that if the accounting standard is less detailed or it is prescriptive, an auditor may be less inclined to report a KAM relating to issues of the standard. This is because an auditor may resist disclosing a KAM which may have an uncertain effect. An auditor may argue that there is no need to disclose a KAM which relates to principle-based accounting standards (Dugan, 2009; Pinto & Morais, 2019).

Auditors have been found to treat ambiguities in the accounting standards as a justification for the accounting treatment used by an entity (Hackenbrack & Nelson, 1996). Consequentially, it may be seen that the presence of flexible accounting standards reduces the number of KAMs disclosed. IAS/IFRS allows firms to make any accounting decision so long as it does not contravene the principles established in the standards. An example would be under IAS 16; entities can elect to measure an asset under the cost or revaluation model (Pinto & Morais, 2019) .

Previous studies have identified that auditors are more likely to permit aggressive financial reporting[4] under accounting standards which are less detailed or are prescriptive (Cohen, Krishnamoorthy, Peytcheva, & Wright, 2013; Nelson, 2002; Segovia, 2009). An example of aggressive financial reporting is marketable security valuations. In many instances, audit partners permit more income-increasing interpretations under the adoption of less prescriptive standards used in the valuation of securities (Trompeter, 1994). Auditors place less pressure on their clients when the requirements of the accounting standards are not specific (Hackenbrack & Nelson, 1996). When an accounting issue is governed by a less prescriptive standard, there is an increase in auditor liability and the number of KAMs disclosed. So, under principle-based accounting standards, auditors are inclined to accept management's representations and disclose fewer KAMs (Pinto & Morais, 2019).

Additionally, in respect of the telecommunication industry, there are many complexities in the recognition of revenue. This is because of the diverse contract offerings together with the application of the newly effective accounting standard IFRS 15 *Revenue from Contracts with*

[4] Aggressive financial reporting is referred to as the design of accounting practices that are aimed to overstate the company's financial performance. This may include unreasonable estimates made in the valuation of assets (Rose, 2007).

Customers. The standard contains guidance for the recognition of revenue which includes identifying the performance obligations in the contract. The identification of performance obligations and the likelihood of receiving variable consideration and the impact of discounts and warranties is complex. IFRS 15 contains stringent requirements that need to be met. As a result, the application of IFRS 15 in accounting for revenue requires significant management judgement (Oncioiu & Tănase, 2016).

It is questionable whether there is an effect on the nature and extent of the disclosure of KAMs as a result of different levels of audit quality. An explanation of the term 'audit quality' is required to understand the context of exploring the effect of KAMs on audit quality. Audit standards suggest that audit quality is achieved by the issuance of an ''appropriate'' audit report on the client's compliance with generally accepted accounting principles. However, audit quality cannot be reduced to this simple definition (Bonner, 2008). Previous studies have identified proxies for measuring audit quality, including financial statement restatements, audit fees, going-concern opinions, lawsuits filed against auditors, client bankruptcies, and levels of abnormal accruals (Carcello, Hermanson, & McGrath, 1992; Francis, Maydew, & Sparks, 1999; Stanley & DeZoort, 2007). In these frameworks, audit quality has been described as a function of the following: inputs (personnel and expertise); processes (auditor work and judgement); outputs and opinions (audit reports and restatements) and the contexts of audits (audit tenure) (DeFond & Zhang, 2014; Francis, 2011).

A proxy for audit quality can be argued to be audit firm size (DeAngelo, 1981). This is because the reputation of the firm and its clientele are affected by misreporting. If a firm has no single important client, for example a client which the auditor has a high audit fee dependence, it will be less likely to give into pressure created by a client to misreport the events and conditions of that entity. Other studies (Clarkson & Simunic, 1994; Francis & Wilson, 1988) have argued that established brand name reputations have been established by the 'Big 8[5]' international accounting firms and that they are incentivised to provide high quality audits and audit reports to protect the firm's reputation.

The audit quality among the Big 8 audit firms differs which may be used to explain the differences in the disclosure of KAMs by these firms. To explore this idea, reference will be made to a review on the quality of audit of the 'big 8 firms' which audited FTSE 350 companies in the UK for the years 2017/2018 conducted by the FRC. These were only available in the UK as Australia and South Africa do not reveal the identity of audit firms in their inspection reports. It was found that 75% of FTSE 350 audits reviewed were good or required no more

[5] The Big 8 audit firms include: Deloitte; PWC; EY; KPMG; BDO; Grant Thornton; RSM and Mazars.

than limited improvements in their audit quality, compared to 73% in 2017/18. The table below explains individual audit quality results for a sample of the audit firms under review:

Table 4: Audit quality ratings for the different audit firms
(FRC, 2019)

	2017/2018 **% of good quality audits with limited improvements**	**2015/2016** **% of good quality audits with limited improvements**
PWC	65	84
Grant Thornton	50	75
Deloitte	84	76
EY	78	67
KPMG	68	64

As mentioned earlier, audit quality includes the issuing of an appropriate audit report. An appropriate audit report should include appropriate disclosure of KAMs. However, it should be noted that all public audit firms are required to comply with the ISA guidelines issued by the IAASB. The audit methodologies of these audit firms are similar t because the methodologies are designed to comply with the ISA's (Broberg, 2013).The next section will provide insight into the post-implementation of KAMs. The implementation of KAMs from 15 December 2016 has caused mixed reactions to the value-added benefit of KAMs as discussed in the next section. Also, the types of KAMs reported by the countries in the initial implementation have been studied in previous literature and are discussed below.

2.3.2 Post-implementation review of key audit matters

In reviewing the post-implementation of KAMs, the findings identified from reviews of KAM implementation in South Africa, Australia and the UK will be presented. The value relevance of KAMs will then be discussed. Lastly, the effect of KAMs on the audit expectation gap and audit quality will be explored.

The table below summarises the findings identified from reviews of KAM implementation in South Africa, Australia and the UK.

Table 5: Post-implementation review of KAMs

	United Kingdom	Australia	South Africa
Relevant auditing standard which deals with KAM	*ISA (UK and Ireland) 701, Communicating Key Audit Matters in the Independent Auditor's Report* (IAASB, 2015)	*ASA 701, Communicating Key Audit Matters in the Independent Auditor's Report* (AUASB, 2015)	*ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report* (IAASB, 2015)
Date of implementation (financial years ending on or after)	October 2013 (IAASB, 2015)	15 December 2016. (AUASB, 2015)	15 December 2016. (IAASB, 2015)
Entities KAM disclosure is compulsory for	Listed (IAASB, 2015)	Listed (AUASB, 2015)	Listed (IAASB, 2015)
Frequently reported KAMs.	• Goodwill Impairment • Revenue not fraud • Acquisitions/Disposals • Taxation (FRC, 2016)	• Impairment of goodwill intangibles • Revenue recognition • Taxation • Business acquisitions (Masdor & Shamsuddin, 2018)	• Revenue recognition • Goodwill impairment • Taxation (Masdor & Shamsuddin, 2018)
Initial Benefits of KAMs	Firms with weaker information environments had a decline in information	KAM reporting provided an effective 'signal' to readers of the key audit issues that arose.	Audit experts concluded that KAM has failed to achieve its goal of greater

	asymmetry as a result of this new and useful information. This suggests that the new disclosure mostly benefits investors who are able to use the KAM information when making investing decisions (Reid, 2015).	(Masdor & Shamsuddin, 2018)	transparency, with clients virtually ignoring KAM reports. (Segal, 2017)

In respect of the nature and extent of KAMs reported, the Association of Chartered Certified Accountants (ACCA) conducted a post-implementation review of KAMs across many countries. Guidance was provided, based on feedback from the ACCA global round table, on mechanisms which can result in the disclosure of KAMs seen as being impactful. Firstly, as KAMs are considered the matters of the audit which are riskiest, it is expected that KAMs should relate to client-specific issues. These issues include asset impairments, complex matters, completeness of liabilities, internal controls or specific industry or regulatory matters. In addition, in respect of the extent of KAMs which would result in KAMs being identified as impactful, it is considered that the number of KAMs should range between two to four KAMs and not be longer than two to three pages. (ACCA, 2018).

The value relevance of expanding the audit report by disclosing KAMs has been studied in several recent studies (Bédard et al., 2014; Boolaky & Quick, 2016; Cordoş & Fülöp, 2015; Sirois, Bédard, & Bera, 2018). These studies have shown mixed views by investors on the communicative value of KAMs and the effect on their own investing decisions.

According to a study by Masdor & Shamsuddin (2018), it was determined that non-professional investors deemed that the disclosure of KAMs had no communicative value (Masdor & Shamsuddin, 2018). However, professional investors indicated that KAMs had significant value in reflecting the economic situation of a company (Köhler, Ratzinger-Sakel, & Theis, 2016). Similarly, it was found that earnings forecast dispersion[6] decreased following

[6] Earnings forecast dispersion is explained as the conflicting views amongst analysts on the earnings per share of an entity.

the introduction of ISA 701 in the UK and Ireland. As seen in the UK, the communication of KAMs results in related financial statement disclosures being scrutinised by users (Sierra-García et al., 2019). It was also identified that KAM disclosure reduces the readability of the audit report and decreases the perception of management credibility (Reid, 2015). This is supported by a similar study, in which it was seen that investors lost confidence in accounts which are referred to in the KAMs reported (Köhler et al., 2016). However, another study found the following benefits from the inclusion of KAMs: higher financial reporting quality is perceived; the misstatement probability is lower and investors are more inclined to invest when the audit report contains KAMs (Brasel et al., 2016). In a study which made use of eye-tracking software, it was found that the inclusion of KAMs meant that users spent more time understanding the risks reported (Sirois, Bédard, & Bera, 2018a). A contrasting view is held that the perceptions and decisions of bank directors is not affected by KAM reporting (Boolaky & Quick, 2016). This is supported by Carver and Trinkle (2017) who identified that, despite the readability of the audit report with the inclusion of KAMs, investor valuation judgements remained unaffected. As it can be seen, the value relevance of KAMs has mixed views. KAMs are a relatively new inclusion in the audit report. There is an opportunity for future research to identify what the value relevance of KAMs is once it is better understood and implemented.

2.3.4 The effects of the introduction of KAMs on the expectation gap

The implementation of KAMs in the auditors' report is seen to influence the audit expectation gap. The audit expectation gap is one of the foremost issues confronting the auditing profession. It is seen as having existed for over a century and has been heightened following the collapse of Enron, Arthur Anderson and WorldCom (Porter, Ó hÓgartaigh, & Baskerville, 2012). The audit expectation gap can be explained as the difference between what the public considers the roles and responsibilities of the auditor and what the roles and responsibilities of the auditors are as conveyed in the audit report (Monroe & Woodliff, 1994). An aspect which contributes to the audit expectation gap is the information gap. The IAASB defined the information gap as the gap which exists as a result of the difference between the information which investors consider necessary to make decisions and the information actually available from resources such as the entity's audited financial statements and other publicly available information (IAASB, 2011).

In the wake of corporate financial scandals in the twenty first century, the auditing profession has come under scrutiny for not providing early warning signals in audit reports. These corporate scandals have caused reduced public confidence in the auditing profession and are seen as major drivers of the audit report debate (Dewing, 2003). This continued debate on audit reporting is based on the fundamental question about whether the standard audit report communicate appropriate information to stakeholders (Gold, Gronewold & Pott, 2012). The previous traditional audit report was seen as flawed because of its standard form and content

(Humphrey, Loft, & Woods, 2009). It was viewed as insignificant with insufficient communicative value and was instead seen as a pass/fail document (Church, Davis, & McCracken, 2008; Mock et al., 2012). As a result, the traditional audit report has been considered to contribute to the audit expectation gap (Porter, Ó hÓgartaigh, & Baskerville, 2012). A study published in 2011 on feasible solutions of improving the audit report found that users are interested in additional disclosures on audit findings. These additional disclosures included: key areas of risk; the quality of the internal control system; the auditor's evaluation of accounting policies and practices; critical accounting estimates and management judgements. The study further found that auditor respondents agree that if the above considerations are implemented, the information value of the audit reports may be improved (Sirois, Bédard, & Bera, 2018).

Regulating bodies, accounting professionals and academics have been expending their efforts to improve the quality of audits with a focus on improving the audit report. The objective of this was to reduce the information gap by providing more information content to users of the audit report, especially with the introduction of a section in the audit report relating to KAMs (Pinto & Morais, 2019). The inclusion of KAMs is considered to be a fundamental mechanism to reduce the existing expectation gaps in the auditing profession (Masdor & Shamsuddin). Significant financial reporting risks which have been identified in the audit are disclosed in the KAMs. Additionally, the manner in which the auditor has addressed these risks to form an opinion on the financial statements (Bradbury & Almulla, 2018). Information such as this is valuable to investors. The disclosure of KAMs may therefore reduce the audit expectation gap (Nwaobia, Luke, & Theophilus, 2016).

2.4 Comparisons of audit practices in South Africa, Australia and the United Kingdom

The research of this study is aimed at comparing KAM disclosures in South Africa, Australia and the United Kingdom. This section will provide insight into the differences in auditing in these three countries which may influence the nature and extent of KAMs reported in these countries.

In this study, the emerging market is South Africa and the developed markets are the UK and Australia. Developed countries are often used as the yardstick to compare emerging markets adoption of international accounting and auditing standards. There are substantial differences in countries worldwide in respect of the audit environment. Audit quality can be improved in these environments worldwide if there is a commitment by audit regulators and standard regulators to establish high quality audit practices. The importance of country-level audit institutions and auditor-specific characteristics is required to achieve higher audit quality. The

relevance of these requirements are especially appropriate in the context of emerging markets (Michas, 2011).

It is the objective of IFAC to standardise the quality of auditing standards of developed countries globally. However, it is seen that standardisation is not simple as there are many incomparable characteristics between the developed and emerging markets. It is identified as above that developed markets are distinguished from emerging markets due to the efficiency of their capital markets investor sophistication and effective regulation and legal systems (Michas, 2011).

South Africa has, for a long time been acclaimed as achieving high ratings in respect of accounting practice, accounting standards and audit reporting. It has also previously been ranked first globally in respect of auditing and reporting standards. This is largely because of the significant emphasis that the country has placed on the performance of audits (Segal, 2017).

In comparing the audit standards of South Africa, Australia and the UK, the ranking of the strength of auditing and reporting standards in respect of the World Economic Forum will be referred to below. These measures may be used in understanding the differences in the nature and extent of KAM disclosures in these three countries. From the table below it can be seen that, in respect of the ranking in the strength of audit reporting standards, the highest ranked is Australia (ranked tenth) followed closely by the UK (ranked twelfth) and South Africa (ranked thirtieth).

Table 6: World Economic Forum ratings of each country

(WEF, 2019)

Countries	Overall Economic Forum ranking /137	Ranking in strength of audit reporting standards /137
South Africa	61	30
Australia	21	10
United Kingdom	8	12

Additionally, it will be interesting to explore whether country-specific information has been referred to in the disclosure of KAMs. Some of the issues the UK was facing at the time of this study included Brexit (Freedman, 2017). In South Africa, the effects of the weakening economy and state capture are anticipated to have an impact on companies operating in the country (Wilson, 2019). Lastly, in Australia the effects of the change in Prime Minister and related political is seen to have effects on the economy (Perigo, 2018).

The literature review presented insight on KAMs in various lights. The agency theory (See section 2.1) described the role of KAMs in reducing the agency gap by reporting on significant areas which are influenced by managements estimates and judgements. A background of auditing (See section 2.2) was presented to understand in which stage of the auditing process the introduction of KAMs would affect, which is the auditors report. The discussion of KAMs (See section 2.3) provided a background as to the implementation of KAMS. The potential influencers of KAMs provided insight from various literature on characteristics of the audit client and audit firm that may affect the nature and extent of KAMs. It was identified in the post-implementation review of KAMs (See section 2.3.3) that the literature available compared the nature of KAMs between the UK (the first implementer of KAMs) and countries that subsequently adopted KAMs. The author developed the research questions (See Table 7) to identify the nature and extent of KAMs reported by companies across Australia, South Africa and the UK with various characteristics, using the literature which identified the potential influencers of the nature and extent of KAMs as an understanding. The next section, which is the Research Methodology, outlines the approach followed by the author in conducting the study.

3. Research methodology

This study is an exploratory study comparing the disclosure of key audit matters in South Africa, Australia and the United Kingdom. The unit of analysis for this study is the annual financial statements which contain the independent auditors' report. The sample of companies was drawn from the annual reports of listed companies on these exchanges for the years ending 1 January 2017 and 31 December 2018. The United Kingdom adopted an earlier implementation of KAMs from 2013. However, the sample time period was selected as KAM disclosure became compulsory for all audits of listed companies with financial year ends after and including 31 December 2016. This study focuses on the non-financial section and the narrative part of the annual financial statements as well as the financial section.

3.1 Overview of method

This study makes use of a qualitative approach in collecting and analysing data in the form of a content analysis with basic descriptive statistics**.** A content analysis also contains elements of a quantitative approach, in that it lends itself to the production of graphs and descriptive

statistics. The researcher makes use of graphs and descriptive statistics in analysing the data (see section 3.4). Qualitative content analysis can be referred to as “a research method for subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns” (Hsieh & Shannon, 2005).

A content analysis is used to analyse the disclosure of KAMs contained in the independent auditor’s report in the annual financial statements of each company. This choice of method is appropriate as this study considers only the nature and extent of KAMs and not the quality of these disclosures. In assessing disclosures, content analysis is a common and widely used method (Gray, Kouhy, & Lavers, 1995; Hackston & Milne, 1996; Haniffa & Cooke, 2002; Raar, 2002). Specifically, to research in the accounting field, a content analysis is a technique frequently used for studies based on disclosure. A content analysis allows the researcher to provide context, knowledge and new insights to a field of study which ,ultimately, increases the understanding of that topic (Leedy & Ormrod, 2013; Neuendorf, 2016; Stemler, 2001).

The purpose of using a content analysis in this study is to identify and categorise content contained in KAM disclosures into patterns or themes (Neuendorf, 2016). This has been achieved through a comprehensive, methodical assessment of the content using a specific framework (Downe-Wamboldt, 1992; Dumay & Cai, 2015; Leedy & Ormrod, 2013). The framework is constructed based on an understanding of KAM disclosures which is addressed in the literature. An extensive understanding of KAMs was addressed in the literature review to identify the elements of KAM disclosure as per ISA 701. This assisted the researcher in understanding the key requirements of disclosing KAMs when scrutinising an independent auditor’s report. The literature review also describes the adoption of KAM in South Africa, Australia and United Kingdom. This revealed that all three countries are required to disclose KAMs. The literature review also revealed the common type of KAMs that have already been reported in each country. This assisted the researcher identify to the type of commonalities reported as KAMs. The researcher used this understanding in constructing the research questions and the data collection instrument which will be used in analysing the data. The table below outlines the research questions in this study:

Table 7: Research questions and sub-questions

Research Question 1:	**Research Question 2:**
What is the nature of KAMs which are reported for the top 50 listed companies in South Africa, Australia and the UK?	What is the extent of KAMs which are reported for the top 50 listed companies in South Africa, Australia and the UK?

Meaning of nature:	**Meaning of extent:**
Refers to: type or kind	Refers to: the size or scale of something
Sub questions:	**Sub questions:**
1.1 What are the specific KAM issues being reported for each country?	2.1 What are the number of specific KAM issues being reported for each country?
1.2 What are the specific KAM issues being reported for the different industries in SA, UK and Australia?	2.2 What are the number of specific KAM issues being reported for the different industries in SA, UK and Australia?
1.3 What are the specific KAMs issues being reported by each audit firm in SA, UK and Australia?	2.3 What are the number of specific KAMs issues being reported by each audit firm in SA, UK and Australia?
1.4 What are the specific KAM issues being reported for different size companies in SA, UK and Australia?	2.4 What are the number of specific KAM issues being reported for different size companies in SA, UK and Australia?
1.5 What are the accounting standards being identified in the KAM by the different audit firms in SA, UK and Australia?	2.5 What is the average page length of the KAM section reported in SA, UK and Australia?

3.2 Population and sample size

This study focuses on KAM disclosures contained in the audit report of companies listed in South Africa, Australia and United Kingdom. The population is the audit reports of listed companies in these three countries, as KAMs are effective and compulsory to be reported for listed companies. The researcher has outlined the sample as the audit reports of the top 50 listed companies in the respective countries. Selecting the top 50 companies was deemed appropriate as the companies selected were deemed to have various characteristics, which add value to the results obtained. The companies were selected from listed companies on the following exchanges JSE (South Africa), ASX (Australia) and LSE (London). These companies were selected based on their market capitalisation at a point in time (20 June 2019). The effective date for the implementation of KAMs is applicable for audits conducted for financial years ending on or after 15 December 2016. The most recent report released by the companies was analysed ensuring that the data collected contained the most updated information available. In the instance where companies were listed on more than one exchange, for this study, the researcher considered the company to be listed only on the

exchange that the company was primary listed on when considering if the company would be included in the top 50 of that company.

3.3 Data collection

The top 50 listed companies are determined at a point in time (20 June 2019) of each exchange in each country. The annual financial statements of each company have been used to identify the total assets. As described in table 4 below, this is the proxy used to measure the size of the company. The independent auditor's report of each company's annual financial statements is then scrutinised for the disclosures of KAMs and the name of its audit firm. The section of the KAM will be read first to assess the length of the section and record it under the page length category, followed by the detail of the KAM category, such as the sub-headings of each KAM and any accounting note disclosures referred to.

The categories used in the data collection instrument which were obtained from the literature review are described as below:

Table 8: Data collection instrument

Categories	**Required information related to categories**	**Relevance of information in respect of the study**
Company information	• Company name • Year-end	The year-end of each company is required to identify that the financial statements under consideration are post-effective date of ISA 701 and therefore should have disclosure on KAMs.
Country	• Country • Listed exchange	The countries listed are: South Africa, the United Kingdom and Australia. This is in line with the research question. Companies have

		been categorised to the country and listed exchange of which they are primary listed on.
Sector	• Sector	The sector of each company is recorded and used in analysing whether there are sectors where more KAMs are being disclosed. Additionally, an analysis will be conducted on whether there is a pattern of specific KAMs being reported per sector.
Size of the company	• Total assets	Total assets will be used as a proxy in determining the size of each company analysed. The sizes of the company will be used to determine at different company sizes or rankings per country, what are the type and number of KAMs being reported.
Auditor of the Company	• Companies Auditor: ➢ KPMG ➢ EY ➢ PWC ➢ Deloitte • Others as identified	The audit firm of the company will be identified to determine what the type and number of KAMs being reported by each audit firm are based on the audits of the top companies per country.
Extent and Number of KAMs	• Length of KAM section in the report (pages) • Number of KAMs	This measure will be used to identify if there are any patterns in the categories and the length of the KAM section and number of KAMs being produced.
Nature of KAMs	• **KAM Specific Issue** ➢ Management Override of Control ➢ Fraud in Revenue Recognition	The following are a wide range of risks reported by the Financial Reporting Council on a Post implementation review of

	➢ Goodwill Impairment ➢ Asset impairments (not goodwill) ➢ Assets Held for Sale ➢ Taxation ➢ Revenue not Fraud ➢ Provisions ➢ Legal Provisions ➢ Acquisitions/Disposals ➢ Investments ➢ Pensions ➢ Financial Instruments ➢ Insurance ➢ Property Valuation ➢ Controls ➢ Exceptional ➢ Development Costs ➢ Mining/Oil/Gas Accounting ➢ Going Concern ➢ Share Based Payments ➢ Accruals ➢ Capitalisation ➢ Valuation of Inventories ➢ Accounting for long-term contracts ➢ Any additional KAM identified will be added to the list	KAMS of the FTSE 100 companies and the next 250 largest listed entities: (FRC, 2016). The researcher will use this list to categorise each KAM to ensure consistency when analysing the data.
	• **Accounting standard if applicable**	ISA 701 states that for each KAM, a reference to the related disclosure(s), if any, in the financial statements will be included. The accounting standard referenced in the disclosure related to the KAMs is recorded.
	• **Recurring (yes/no)**	This category was selected to identify whether certain KAMs are recurring for companies over the two financial year-ends under analysis.

3.4 Data analysis

The researcher makes use of an interpretive content analysis where the actual content of the narrative is analysed to understand the disclosure practice (Raemaekers, Maroun, & Padia, 2015). Once the data has been collected, the researcher will code the data collected into similar patterns or themes. Coding is required to analyse qualitative data using quantitative mechanisms such as statistics. Example of coding are below:

Research Question: What is the nature of KAMs reported for the top 50 listed companies in South Africa, Australia and the United Kingdom?

Sub question: What are the specific KAMs issues being reported for each country?

Table 9: Example of the coding process

Category-countries	**Codes**	**Category-specific KAM**	**Codes**
United Kingdom	A	Taxation	1
South Africa	B	Revenue recognition	2
Australia	C	Asset impairment	3

The research questions relating to the extent of KAMs reported in South Africa, Australia and the UK will only require the coding of the qualitative data such as the country, industry and audit firm. The quantitative data such as the number of KAMs and page length will not require coding as it is qualitative data.

A disclosure frequency table has been generated for the data collected. Various descriptive statistics (such as the mean, median, mode range and standard deviation) have been used in the analysis of the data. Although this study is qualitative in nature, graphs and tables are formulated to provide a clearer understanding of the data presented.

In addition, the researcher created pivot tables[7] in Excel to generate a multifactor analysis of each category. This is used to identify the different perspectives of the data collected such as the different types of KAM issues being reported in different industries of each country. Pivot tables are selected as they allow user data to be more flexible in the analysis of the data (Dierenfeld & Merceron, 2012).

[7] A pivot table is a flexible contingency table.

3.5 Validity and reliability

A comprehensive literature review is the starting point of the qualitative content analysis, followed by systematic and transparent procedures with the aim of sorting the data into relevant categories (Unerman, 2000). The objective of transparency in the process of analysing data in an interpretively designed study is to increase the level of reliance on a framework which is inherently subjective. The categories described above and considered when assessing the disclosure of KAMs have been developed using the specific requirements of ISA 701 and prior literature. The process of using ISA 701 and prior literature in developing the categories indicates that the categories are complete.

The researcher can be described as being the research instrument in some methods of research because of the extent of his/her involvement (Leedy & Ormrod, 2013). This form of bias is seen to affect the research negatively if the researcher does not acknowledge the bias and try to mitigate it (Downe-Wamboldt, 1992; Leedy & Ormrod, 2013; Neuendorf, 2016; Weber, 1990). The coding process is subjective and can threaten validity and reliability: this is mitigated by the fact that it is a generally accepted method for collecting data for this type of accounting academic research (Carels, Maroun, & Padia, 2013; Raemaekers, Maroun, & Padia, 2015; Solomon & Maroun, 2012). The researcher has aimed to keep the coding process logical and consistent with the use of clearly defined categories. This was done to ensure that the coding process achieves validity (Potter & Levine-Donnerstein, 1999).

The independent audit reports in the financial statements cannot be altered so the number of KAMs disclosed in each report will be consistent throughout the time of review: this strengthens the internal validity of the study. The following issue must be taken into consideration when considering the external validity of the research. The JSE, LSE and ASX companies chosen are sorted in their different size categories, potentially controlling for size bias in the study. The sample size of 150 companies is large enough to draw inferences on the entire population, further strengthening external validity (Dumay & Cai, 2015; Neuendorf, 2016; Unerman, 2000).

4. Results

The research problem of this study compromises two questions:

1. What is the nature of KAMs reported between South Africa, Australia and the United Kingdom?
2. What is the extent of KAMs reported in South Africa, Australia and the United Kingdom?

The results obtained from the data collected are analysed to answer the questions presented. In analysing the data, various graphs and tables have been generated and these are discussed with reference to the research questions.

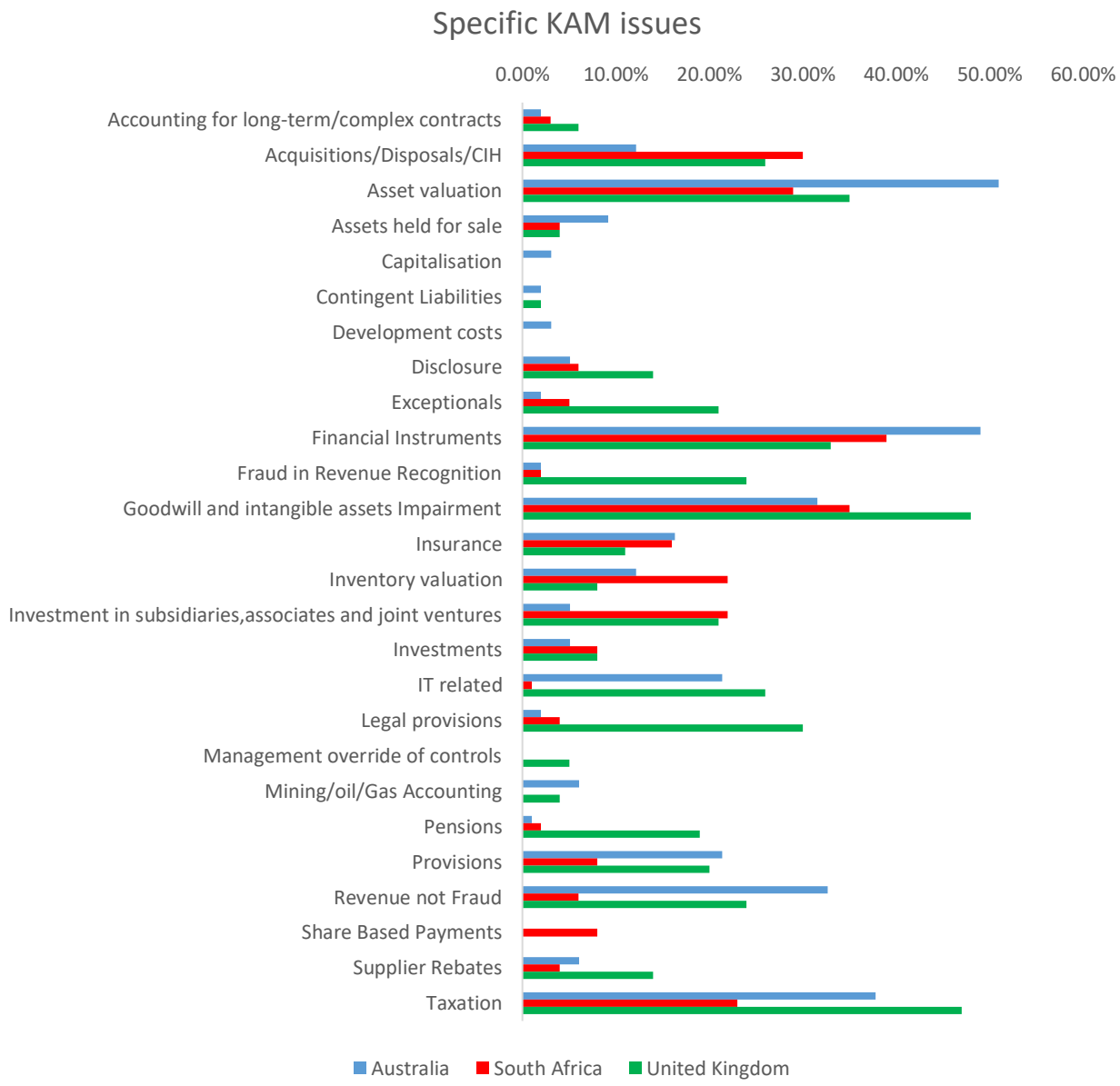
4.1 Comparison of nature of KAMs reported

The nature of KAMs reported is a descriptive analysis of KAMs reported. In comparing the nature of KAMs in South Africa, Australia and the UK, five sub-research questions will be addressed.

4.1.1 What is the nature of KAMs reported in South Africa, Australia and the United Kingdom?

The graph below provides a comparison between the specific KAM issues reported South Africa, Australia and the United Kingdom for the period 2017 and 2018:

Graph 1: A comparison of specific KAM issues reported in South Africa, Australia and the United Kingdom for the years 2017 and 2018



The most frequent KAMs reported in South Africa, Australia and the United Kingdom for the years 2017 and 2018 are: Asset valuation; Goodwill and intangibles impairment; Financial Instruments and Taxation. The reasons why these issues were identified as KAMs was provided in the audit reports and recorded by the researcher.

A shared element among these four KAM issues as identified in the audit reports is that these areas included significant management judgement (see section 2.3.1). Asset valuation includes the determination of an asset's recoverable amount which requires management to estimate an assets' future cash flows. In calculating the recoverable amount, significant management judgement is required. Goodwill and intangible assets impairments which are identified as a single KAM are similar to asset valuation. The similarity is caused by the estimation of future cash flows of the cash-generating unit to which goodwill and intangible assets belong to requiring significant management judgement. IFRS *9 Financial Instruments* which was introduced in 2018 introduced several additional judgements and assumptions and this is reflected in the financial statements, including the identification of significant increases in credit risk of financial instruments and the application of forward-looking economic scenarios. Lastly, many of the companies operate in many jurisdictions and must comply with different international tax regulations. Provisions in relation to potential tax exposure are subject to management judgement and require the selection of estimation techniques and determination of estimates, either of which can influence the current or deferred tax positions. Disclosing these four issues as KAMs is consistent with ISA 701 which requires an auditor to disclose KAMs which include significant management judgement (IAASB, 2015).

ISA 701 may contribute to the mitigation of the principal-agency problem by reporting on these specific KAMs which include the involvement of management judgement. KAM disclosures in the audit report assist shareholders (the principal) in identifying and questioning areas which may be influenced by management assumptions and judgement (the agent). As mentioned in the literature review (see section 2.1) management's accounting behaviour is seen as more appropriate and conservative in light of their accounting choices being included in the audit report as a KAM (Gold & Heilmann, 2019). This will align managements behaviour with the best interest of the shareholders (the principal).

The literature review (see section 2.3.3) outlined the most frequently reported KAM issues by all three countries in the initial post-implementation review. Goodwill and Intangible asset impairment were identified as the most frequently reported KAM for South Africa and the UK in the initial post-implementation review and continued to be the most frequently reported KAM in this study. However, in the case of Australia, the most frequently reported KAM identified are asset valuation and financial instruments. Financial instruments which was not identified

in the initial post-implementation review was among the most frequently reported KAM for all three countries. As discussed above, it is understandable that financial instruments has been included now as a frequent KAM, because of the complexities of applying IFRS *9 Financial Instruments*, a new accounting pronouncement effective from 2018.

It is interesting that IT related issues was significantly higher in the UK (26%) and Australia (21.6%) than to South Africa (1%). This is reflective of the technological differences in developed and developing countries, which are more advanced in the technological realm and have more reliance on IT (Raja & Christiaensen, 2017). Another interesting difference is the difference in the percentage of KAMs which are related to legal provisions and fraud in revenue recognition, significantly higher in the UK (30% and 24%) compared to Australia (4% and 2%) and South Africa (2% and 2%). The UK regulatory regime for audit and corporate governance was significantly changed following post-Enron, with the establishment of the Co-ordinating Group on Audit and Accounting issues (CCGA) leading the review of the regulatory framework (Dewing, 2003). According to ACCA, this increase in the regulatory regime provides the context why legal provisions is a frequently reported KAM (ACCA, 2018). In terms of revenue, it is a crucial element used in investment decisions and an important communication mechanism from the entity to its shareholders about the performance of the entity (McConnell, 2014). Given the importance of the measure, management is motivated to overstate revenue. Furthermore, IFRS 15, the new accounting standard used to account for revenue, presents many new requirements which are seen to be difficult to understand and apply (Oncioiu & Tănase, 2016). This provides a context for why revenue is an inherent risk in an audit and will be identified as a KAM.

4.1.2 What are the specific KAM issues being reported for the different sectors in South Africa, UK and Australia?

The graphs attached to appendix A provide a comparison of the specific KAM issues reported by the different sectors in South Africa, Australia and the United Kingdom for the period 2017 and 2018. The eight sectors studied and analysed are: consumer goods and services; energy/utilities; financials; health care; industrials; materials/mining; real estate and technology/telecommunications. In comparing the specific KAM issues reported by the specific sectors in the different countries, it is suggested by ACCA in its post-implementation review of KAMs report that KAMs should identify the riskiest part of the audit which include sector specific and regulatory matters (ACCA, 2018). The table below provides a summary of the specific KAMs reported across all sectors:

Table 10: A comparison of the nature of KAMs reported by the different industries across South Africa, Australia and the UK

Industry	South Africa	Australia	UK
Consumer goods and services	Inventory valuation (53.6%)	Supplier rebates (60%)	Taxation (63.6%)
Energy/Utilities	Asset valuation (100%)	Taxation (64.3%)	IT-related issues (70%)
Financials	Insurance (53.3%)	IT-related issues (58.3%)	Financial instruments (60%)
Industrials	Acquisitions/CIH/Disposals and Investments (50%)	Asset valuation (60%), Financial instruments (60%) Revenue not fraud (60%)	Goodwill and intangible impairment (58.3%)
Materials	Asset valuation (66.7%)	Provisions and Taxation (both 80%)	Asset valuation (66.7%) and taxation (66.7%)
Real Estate	Asset valuation (100%)	Asset valuation (100%)	No Real estate companies in the top 50
Telecommunications	Taxation (62.5%)	Revenue not fraud (62.5%)	Goodwill and intangible asset impairment (88.9%)

Health Care	Goodwill and intangible asset impairments (83.3%)	Goodwill and intangible asset impairments (50%) and provisions (50%)	Supplier rebates (100%) and taxation (100%)

.

Consumer goods and services

The most frequently reported KAMs were different for all three countries in this sector. In South Africa, the most frequently reported KAM was inventory valuation (53.6%) and in Australia, supplier rebates (60%). The most frequently reported KAM was taxation (63.6%) in the UK. It was identified that both South Africa's and Australia's most frequently reported KAMs related mostly to the operations of the sector which is seen to have higher levels of inventory. Both inventory valuation and supplier rebates were considered a KAM due to the complexities in the calculations that are done in determining the value of inventory, as well as the significant management judgement and assumptions which are considered in the calculations. Taxation is considered a KAM due to the uncertain tax positions caused by the companies operating across many tax jurisdictions. Significant management judgement is required in determining the tax payable when considering the different tax regulations. Therefore, many companies in the consumer goods and service sector in the UK operate across many jurisdictions and are exposed to tax regulation compliance. It is interesting to note that the UK has the largest tax treaty network in the world (167 countries) which makes it an attractive destination for foreign investment (McKerchar, Meyer, Karlinsky, McKerchar, & Walpole, 2008). None of the taxation KAMs referred to Brexit. However, it is suggested that the UK might become a "tax haven post-Brexit" because of a decrease in the corporate tax rate and the liberty to provide relief in respect of VAT and other direct taxes (Freedman, 2017).

Energy/Utilities

The entities included in this sector are entities which are involved in the exploration and distribution of oil. A large number of assets are held by entities in this sector (Hay & Cordery, 2018). Asset valuation (100% in South Africa and 64.3% in Australia) and Taxation (100% in South Africa and 64.3% in Australia) were the two most frequently reported KAMs in both South Africa and Australia. In the United Kingdom, the most frequently reported KAM was IT-related issues (70%).

Firstly, taxation continued to be identified as a KAM because of entities operating across multiple jurisdictions. Secondly, asset valuations were considered a KAM because of exposure of these entities to fluctuating prices of crude oil, gas and chemicals, discount rates and currencies and the volatile macro-economic environment the entities operate in. All these conditions are considered impairment indicators. The process of impairment testing is complex and judgemental. A misstatement of the impairment amount can have a significant impact on the financial statements of these entities (Husmann & Schmidt, 2008). Lastly, IT related-issues was considered a KAM because of IT fulfilling a critical role in the group's financial reporting so deficiencies could potentially impact all account balances. It is interesting to note that neither Australia nor South Africa reported any IT-related issues in this sector. South Africa is a developing country so the implementation of IT systems may be considered less advanced compared to the UK. There is no explanation for the difference in Australia in this regard.

Financials

The financial sector consists of firms and institutions which provide financial services to commercial and retail consumers. This sector is also considered to hold many assets. The most frequently reported KAM differed for all three countries in this sector, but all three issues related largely to the operations of the financial services sector. In South Africa, the most frequently reported KAM was found to be related to insurance (53.3%). In Australia, IT-related issues (58.3%) were the most frequently reported KAM and in the UK financial instruments (60%).

Insurance was a KAM because of the impact of significant management judgement and assumptions used in the complex valuation of insurance and investment contracts. IT-related issues, as discussed above, were identified as a KAM because of financial company's reliance on IT as well as the risks related to changes in the IT system. Financial instruments were identified as a KAM largely because the application of IFRS 9 *Financial Instruments* which was implemented by groups on 1 January 2018. This new standard requires the group to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the group (IASB, 2014).

Industrials Sector

The industrials sector includes companies involved in manufacturing and distributing capital goods, aerospace and defence, construction, engineering, electrical equipment and industrial machinery. In the industrial sector in South Africa, most frequently reported KAMs are Acquisitions/CIH/Disposals and Investments (50%). Australia's most frequently reported KAMs

consisted of asset valuation (60%), financial instruments (60%) and revenue (not fraud) (60%). UK's most frequently reported KAM was goodwill and intangible impairment (58.3%).

It was identified in the data collected that there was a significant difference in the proportion of goodwill and intangible impairments reported by the countries as Australia (10%) reported a relatively small proportion of goodwill and intangible asset impairment KAMs compared to South Africa (50%) and UK (58.3%). This may be attributed to the smaller proportion of 4% industrials-based companies in the top 50 of South Africa compared to 12% in Australia and UK. The health care sector will not be discussed because of the small proportion of the top 50 companies listed in all three countries operating in the health sector.

Materials/Mining

The materials/mining sector includes companies engaged in mining and the refining of metal, chemical products, and forestry products. The most frequently reported KAM for South Africa was asset valuation (66.7%) which is different from Australia which was provisions and taxation (both 80%). The UK also had asset valuation (66.7%) as one of the most frequently reported KAMs, the other being taxation (66.7%). As mentioned in the literature review, mining entities are considered to be higher risked because of a large number of assets held by companies in this sector (Hay & Cordery, 2018). A distinctive difference in the results is the inconsistency of provisions reported as a most frequently reported KAM between the countries. It is identified that UK (16.7%) has reported fewer provisions as a KAM compared to Australia (80%) and South Africa (37.5%). Provisions were recorded as a KAM because of the use of significant management judgement and assumptions in the computation of environmental rehabilitation provision. It is common that mining entities have the responsibility of restoring and rehabilitating mined land, so environmental rehabilitation provision is considered a material balance according to ISA 315 (IAASB, 2009) . The Mining Contribution Index (MCI) ranks countries based on the percentage that mining activities contribute to the country's total GDP. According to the index, Australia is ranked the highest at 32 followed closely by South Africa at 42 and lastly UK at 89 (ICMM, 2018). These rankings can be used to understand the difference in the percentage of KAMs relating to the environmental and rehabilitation provisions among South Africa, Australia and the UK. Australia is ranked the highest according to the MCI and has recorded a higher number of environmental and rehabilitation provision compared to the UK who was ranked the lowest and recorded the lowest number of KAM issues relating to environmental and rehabilitation provisions.

Real estate

The residential sector focuses on the buying and selling of properties used as homes or for non-professional purposes. UK had no such companies in the top 50. Asset valuation (100%)

was most reported KAM for both South Africa and Australia. Asset valuation was identified as a KAM because of the material balance of assets on the financial statements and the significance of management judgements involved in the determination of the fair value of the property assets. As real estate companies hold a material balance of assets, asset valuation as a KAM is representative of the sector-specific matters (ACCA, 2018).

Technology/Telecommunications

The technological sector consists of companies involved in the research, development and/or distribution of technologically based goods and services. The most frequently reported KAM was different for all three countries. In South Africa it was taxation (62.5%) whereas it was revenue (not fraud) (62.5%) for Australia and goodwill and intangible asset impairment (88.9%) for the UK. The reasons taxation and goodwill and intangible asset impairments were considered as KAMs are the same for this sector as compared to the reasons discussed under section 4.1.1. Revenue (not fraud) was considered a KAM because of the significance of the amount in the financial statements, the complexities embedded in determining revenues from multiple streams, as well as the application of the new accounting pronouncement IFRS 15 *Revenue*. The application of IFRS 15 is complex in the telecommunication industry as it is common for contracts to offer a wide range of offers (see section 2.3.2). An example would be mobile phone contracts that offer the sale of the mobile phone, monthly airtime top-ups as well as sim card activation fees. The complexities of the standard are derived from determining whether each of the requirement that each offer in the contract is a distinct performance obligation and the complexities in the requirements of IFRS 15 in the timing of when revenue can be recognised. Furthermore customary to the industry, are other practices such as activation fees that customers usually pay at inception of the contract which the entity will have to assess whether those fees provide goods or services to the customer in order to recognise revenue (Oncioiu & Tănase, 2016).

4.1.3 What are the specific KAMS issues being reported by each audit firm in SA, Australia and the UK?

Table 11 indicates the different type of KAMs reported by the different firms across all three countries. Table 12 outlines most frequent accounting standards which the mentioned KAMs are accounted under. The results contained in both tables contributes to the understanding of the nature of KAMs reported by the audit firms across the different countries. It should be noted that, although the audit firms discussed in the literature review, referred to the big 8, the audit firms analysed in the results are limited only to the audit firms involved in the audit of the top 50 listed companies in South Africa, Australia and the UK.

Table 11: The nature of KAMs reported by the different audit firms across South Africa, Australia and the UK

	South Africa	Australia	UK
Deloitte	Goodwill and intangible asset impairments	Asset valuation	Asset valuation
EY	Inventory valuation	Asset valuation	Fraud in revenue recognition
Grant Thornton	Goodwill and intangible asset impairments	-	-
KPMG	Asset valuation	Financial instruments	Investments in subsidiaries, associates and joint ventures
PWC	Goodwill and intangible asset impairments	Taxation	Taxation
Joint audit	Financial instruments	-	-

Table 12: A summary of the standards from which the different audit firms across South Africa, Australia and the UK report their KAMs

	Deloitte	EY	KPMG	PWC	Grant Thornton	Joint audit firm
South Africa	IAS 36	IAS 19	IFRS 13	IAS 36	IAS 36	IFRS 13
Australia	All standards fairly	AASB 13	AASB 15	AASB 13	-	-

	identified as KAMs					
The UK	IAS 36	IAS 36	IAS 36	IAS 36	-	-

It can be seen from the table 11 above that the audit firms across all three countries reported similar types of KAMs such as asset valuation, goodwill and intangible asset impairments, taxation and financial instruments. The most frequent accounting standards referred to in the KAMs disclosure are similar across the audit firms in all three counties. In South Africa, the accounting standards are IAS 36 (50%) reported by Deloitte, PWC and Grant Thornton; IFRS 13 reported by KPMG and Joint audit firms (33,3%) and IAS 19 reported by EY (16,7%). This is different from Australia where Deloitte reported all standards equally, EY and PWC reported AASB 13 (50%) and KPMG reported AASB 15 (25%). It is interesting to that in the UK IAS 36 was the most frequent standard referred to in the KAMs reported across all four firms. With a further analysis, it is seen there is a cohesiveness across all audit firms in all three countries that IAS 36 is a pertinent accounting standard referred to in the KAM disclosure. Previous studies have identified that IAS 36, present opportunities for management manipulation. In particular, when management is required to select an appropriate discount rate to discount future cash flows. It was identified that management is found that the growth rate is manipulated the impairment write-off amount. With goodwill and intangible assets impairment being one of the most reported KAMs across all three countries, as well as IAS 36 being one of the pertinent accounting standards across all three countries, this indicates the high-level of risk contained in impairment calculations (Avallone & Quagli, 2015; Husmann & Schmidt, 2008).

According to the literature review (see section 2.3.2) when management adopts accounting standards which are less prescriptive, fewer KAM issues are disclosed by auditors (Pinto & Morais). However, this is contradictory to the results obtained above. It is seen that the most frequently reported KAM issues in all three countries originate from standards in which significant level of management judgement is allowed. In accordance with the agency theory, auditors are seen to include KAM issues which arise from significant management involvement (the agent) to the shareholders (the principal) in their audit report (see section 2.1).

To provide context to the above analysis, public audits are governed by the ISAs or the equivalent in Australia which is the ASA. This means that there is a standard which auditors need to follow when conducting an audit. These standards are considered in every public auditor's methodology which also applies in identifying and reporting KAMs (Broberg, 2013). This may be used to explain the similarities in the specific KAMs reported and the specific accounting standards referred to in the KAM disclosure.

4.1.4 What are the specific KAM issues being reported for different size companies in SA, UK and Australia?

The proxy used for the size of the company is total assets. As identified in the literature review (see section 2.3.2), larger-sized companies are identified to be riskier than small companies. The companies have been categorised in descending order from top 10, top 20, top 30, top 40 and top 50. There is no literature to explain the most frequently reported specific KAMs across different sized companies. This section will be discussed with reference to the sectors that the top 10 (the larger companies) and the top 50 companies (the smaller companies) are in. The objective of this is to understand whether there is a correlation between the size of the company, the sector of the company and the nature of KAMs reported.

Table 13: An analysis of the specific KAMs reported by the top 10 and top 50 companies across the different countries

	South Africa	Australia	UK
Top 10	Financial Instruments (55%)	IT-related issues (70%)	IT-related issues (55%)
	IT-related issues (5%)	Investments in subsidiaries, associates and joint ventures (5%)	Taxation (10%)
Top 50	Inventory valuation (50%)	Revenue not fraud (39%)	Fraud in revenue recognition (40%)
	Legal provisions (5%)	Supplier rebates (11%)	Asset held for sale (5%)

Table 14: An analysis of the sectors that the top 10 and top 50 companies of each country are in

	South Africa	Australia	The United Kingdom
Top 10	Financials (60%) Consumer goods and services (20%) Energy/utilities (10%) Technology/ Telecommunications (10%)	Financials (85%) Real estate (10%) Energy/utilities (5%)	Financials (80%) Consumer and goods services (10%) Energy/Utilities (10%)
Top 50	Consumer goods and service (75%) Materials/mining (10%) Financials (5%) Health care (5%)	Materials/Mining (5%) Financials (20%) Technology/ Telecommunications (20%) Energy/Utilities (10%) Industrials (10%) Consumer goods and services (25%) Health care (10%)	Technology/ Telecommunications (40%) Consumer goods and services (20%) Energy/Utilities (10%) Financials (15%) Health Care (10%) Industrials (5%)

It is identified that for the 10 companies of South Africa, financial instruments (55%) was the most frequently reported KAM and IT-related issues (5%) were the least frequently reported KAM. Inventory valuations (50%) was the most frequently reported KAM for the top 50 companies and legal provisions (5%) was the least. The top 10 companies are mainly from the financial sector which have significant financial instruments reported on their balance sheets, providing the context of financial instruments identified as the most frequently reported KAMs. Similarly, inventory valuation was the most frequently reported KAMs for the top 50

where 75% of the companies operate in the consumer goods and services sector and the sector is known to carry high volumes of inventory on their balance sheets.

This comparison was quite different for Australia where the most frequently reported KAM for the top 10 was IT-related issues (70%) and the least reported KAM was Investments in subsidiaries, associates and joint ventures (5%). The top 50's most frequently reported KAM was revenue not fraud (39%) and the least was supplier rebates (11%). The top 10 companies in Australia operate in the financial sector. As identified in section 4.1.2, the financial sector in Australia is seen to have a high-dependence on IT so this provides context as to why IT-related issues are most frequently reported for the top 10 companies.

In respect of the UK, IT-related issues (55%) were the most frequently reported KAM for the top 10 companies whereas taxation was the least (10%). Similarly, to Australia and South Africa, the top 10 companies operate largely in the financial sector. As mentioned in Section 4.1.2, the financial sector in the UK is very dependent on IT and this was the most frequently reported KAM in the financial sector, providing an understanding of the reason IT-related issues were identified as the most frequently reported KAM. The top 50 companies in the UK operated largely in the telecommunications sector and reported fraud in revenue recognition as the most frequently reported KAM (40%) and assets held for sale (5%) as the least. As mentioned earlier in Section 4.1.2 there are complexities in the application of IFRS 15 in the telecommunications sector.

4.2 Comparison of the extent of KAMs reported in South Africa, Australia and the UK

The extent of KAMs reported refers to the size or type of KAMs reported. In comparing the nature of KAMs between South Africa, Australia and the UK five sub research questions are

addressed. As the measure used in determining the extent of KAMs reported is numerical, descriptive statistics can be determined and will be included under the discussion of each question.

4.2.1 What are the number of specific KAM issues being reported by South Africa, Australia and the UK?

There was a difference between the mean (average) number of total KAMs reported by companies in South Africa, Australia and the UK. In South Africa, the mean was 2.76 which was less than in both Australia and UK whose average was 3.33 and 4.59, respectively. The standard deviation is lower for Australia, compared to South Africa and the UK. This indicates that the number of KAMs reported by the companies in Australia are closer to the mean value of 3.33 in comparison the other countries. A higher standard deviation for the other countries indicates that the number of KAMs reported in those countries, differ slightly more to the respective mean values in comparison to Australia.

Table 15: An analysis of the extent of KAMs reported across South Africa, Australia and the UK

Total number of KAMs

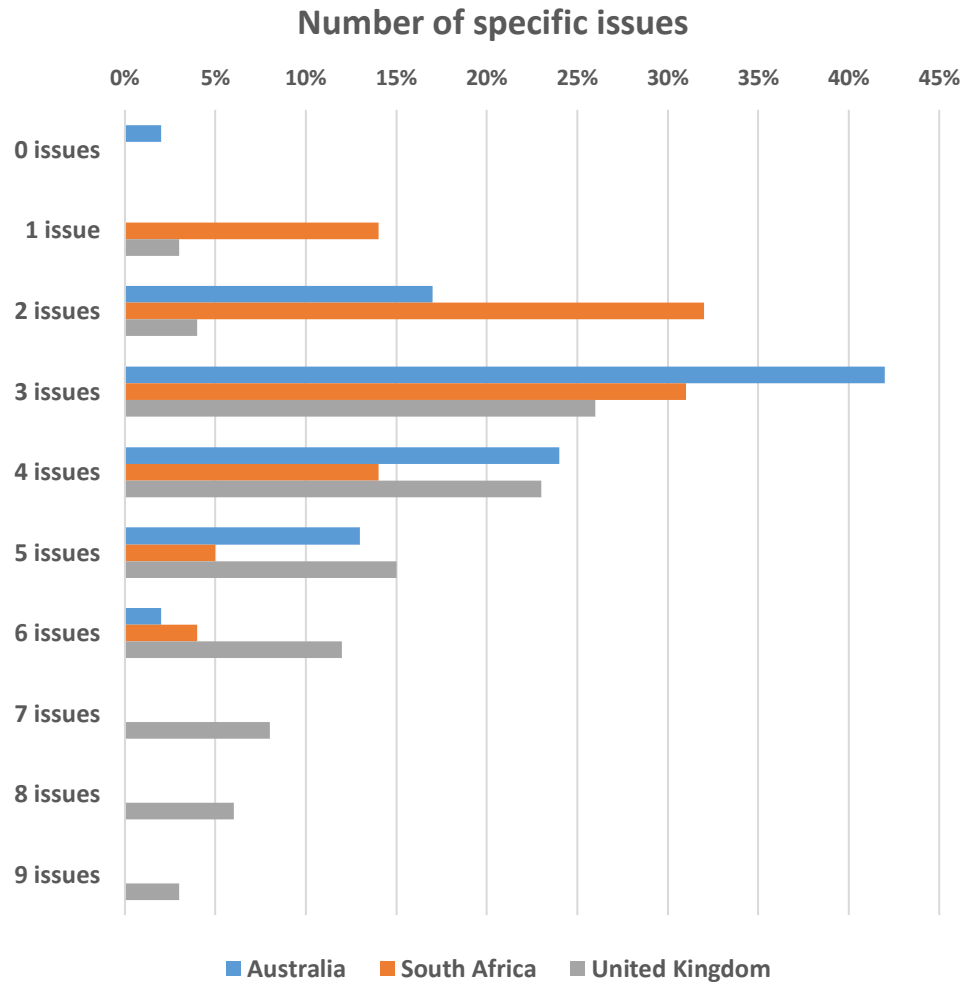
Country	N	Mean	Mode	Std. Deviation	Minimum	Maximum	Median
Australia	100	3.33	3	1.092	0	6	3.00
South Africa	100	2.76	2	1.240	1	6	3.00
United Kingdom	100	4.59	3	1.854	1	9	4.00

It can be seen from table 15 that the maximum number of KAMs reported by Australia and South Africa were the same at 6, compared to the UK where the maximum number of specific issues reported per the KAM section contained in the independent auditor's report was much higher at 9. The minimum number of specific issues reported per line for South Africa and United Kingdom is the same at 1 while it is 0 for Australia. On average, each line reported 3.33 specific issues in Australia, 2.76 specific issues in South Africa and 4.59 specific issues in United Kingdom.

The number of KAMs released by the UK has been consistently high in many studies conducted (ACCA, 2018). The UK was the first country to implement the reporting of KAMs. In the initial phase of implementation, it was common that auditors reported all their significant risks as KAMs which resulted in too many KAMs being reported. This approach was discouraged by ACCA who recommend that for KAMs to be impactful there should be only two to four KAMs reported (See section 2.3.3). Although the average and mode of the KAMs

reported for these 3 countries are in this range, instances where more KAMs are reported are seen as less impactful (ACCA, 2018). This view may be explained by understanding that KAMs are viewed as the most important matters in the identified in audit, so a large number of KAMs may be contrary to the idea that the KAMs reported are, in fact, the most important matters identified in the audit (IAASB, 2015).

Graph 2: A comparison of the total number of KAMs reported between South Africa, Australia and the UK



It can be seen from graph 2 above that in South Africa, the most frequently reported number of KAMs was between 2 and 3. However, it was slightly higher in the UK and Australia which were between 2 and 4. It is interesting to see that 44% of the total number of KAMs reported in the UK was more than 4. Therefore, although the UK was the first to adopt the standard early, the UK KAM practice is not completely in accordance as to what ACCA deems should be done to make KAM more impactful (ACCA, 2018). A higher number of KAMs reported may be contrary to the understanding that the KAMs are, in fact, the most significant matters identified during the audit (IAASB, 2015).

4.2.2 What are the number of specific KAM issues being reported for the different industries in SA, UK and Australia?

The aim of this question was to identify the total number of KAMs reported by each industry in the three countries. KAMs can be explained as areas of risk identified during an audit. The results obtained will identify which sectors audit firms identify as having a higher level of significant risk. All industries do not have the same level of complexities in an audit (Pearson & Trompeter, 1994; Trompeter, 1994). It is argued that businesses such as financial institutions and utilities with more assets are believed to be easier to audit as opposed to companies with extensive inventories, receivables or knowledge-based assets such as the consumer goods and services industry and the telecommunication industry (see section 2.3.2) (Hay & Cordery, 2018). The financial sector, according to ACCA, is seen as a riskier sector and should report more KAMs (ACCA, 2018). The table below provides the descriptive statistics calculated from the data collected:

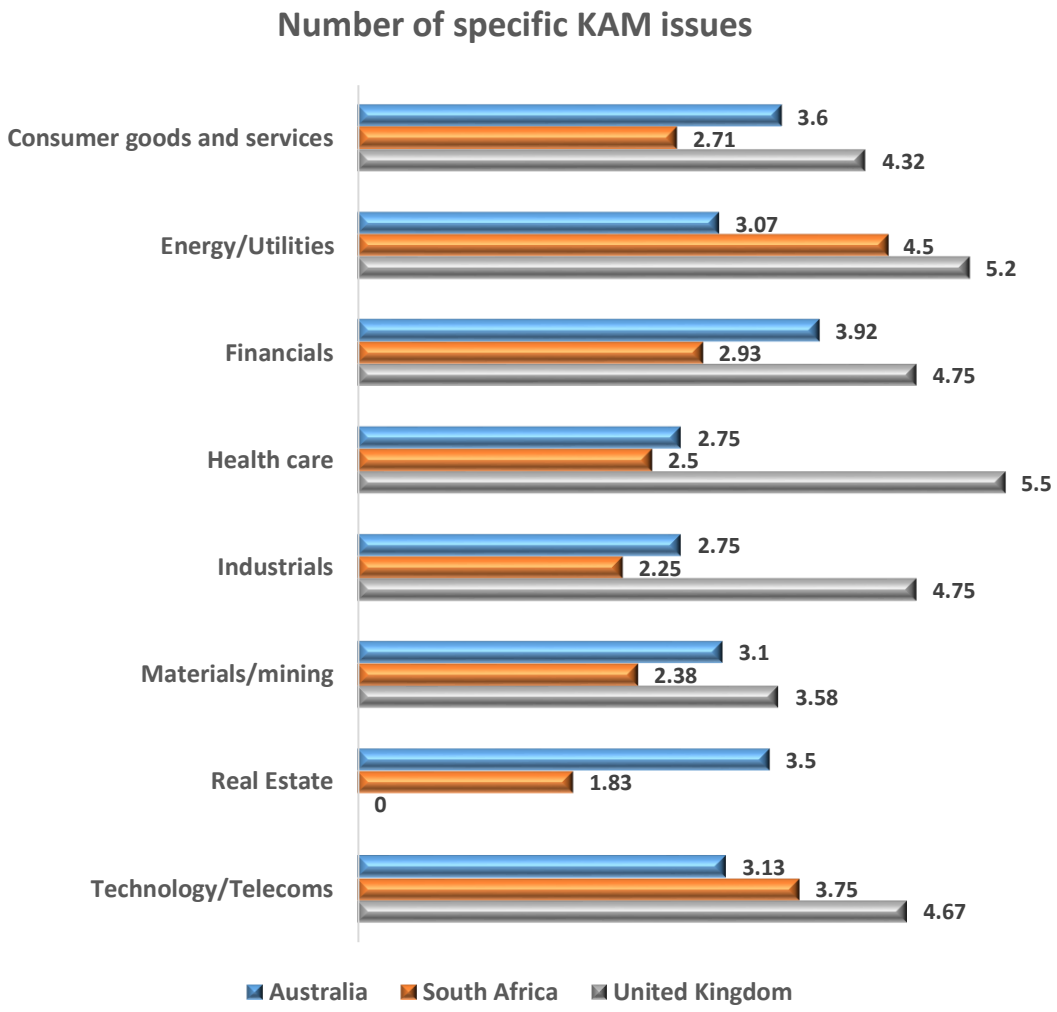
Table 16: A comparison of the total number of KAMs reported by the different sectors in South Africa, Australia and the UK

Total number of KAMs reported between the different sectors in South Africa, Australia and the UK

Sector	Country	N	Mean	Std. Deviation	Minimum	Maximum	Median
Consumer goods and services	Australia	10	3.60	.966	2	5	3.50
	South Africa	28	2.71	.897	1	4	2.50
	United Kingdom	22	4.32	1.615	2	8	4.00
Energy/Utilities	Australia	14	3.07	1.141	2	5	3.00
	South Africa	2	4.50	2.121	3	6	4.50
	United Kingdom	10	5.20	1.398	3	7	5.50
Financials	Australia	24	3.92	1.213	2	6	4.00
	South Africa	30	2.93	1.530	1	6	3.00
	United Kingdom	20	4.75	2.124	1	9	4.00
Health care	Australia	8	2.75	.463	2	3	3.00
	South Africa	6	2.50	.837	1	3	3.00
	United Kingdom	6	5.50	.837	5	7	5.00
Industrials	Australia	12	2.75	1.422	0	4	3.00
	South Africa	4	2.25	.500	2	3	2.00
	United Kingdom	12	4.75	2.137	2	9	4.00
Materials/mining	Australia	10	3.10	.316	3	4	3.00
	South Africa	16	2.38	.885	1	4	2.00
	United Kingdom	12	3.58	1.881	1	7	3.00
Real Estate	Australia	14	3.50	.855	2	5	4.00
	South Africa	6	1.83	1.329	1	4	1.00
Technology/Telecoms	Australia	8	3.13	.991	2	5	3.00
	South Africa	8	3.75	1.165	2	5	3.50
	United Kingdom	18	4.67	1.970	3	9	4.00

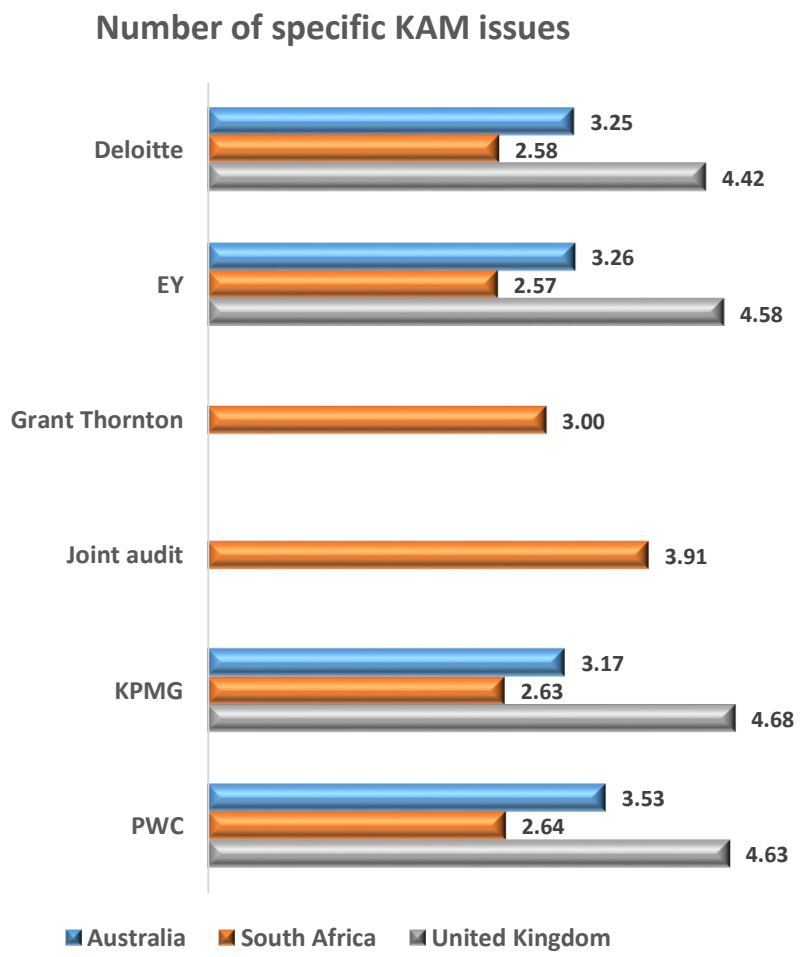
As identified in table 16, across all the sectors, the UK reported the highest mean (average) total number of KAMs in the three countries. Across all sectors the UK had the highest maximum number of KAMs reported. The most notable difference in this regard is the telecommunications sector where the maximum number of KAMs is 5 for both South Africa and Australia compared to 9 for the UK. In the financial sector more KAMs are expected to be reported as it is seen to be riskier because of the complexities of the transactions as discussed in section 4.1.2 (ACCA, 2018). In this sector, South Africa reported the lowest average total number of KAMs (2.93) compared to Australia (3.92) and the UK (4.75). As identified in the literature (see section 2.3.2), energy and utilities are considered easier to audit so it is expected that fewer KAMs would be reported (Pinto & Morais, 2019). However, South Africa reported most KAMs in this sector at 4.5, Australia and the UK also reported a higher number of KAMs than most other sectors for energy and utilities. The UK reported the highest average number of KAMs (5.5) in the health sector, while in Australia the financial sector had the highest number of average KAMs (3.92). Although no literature exists to explain the reasons for these findings, the findings can be used to understand which sectors in these countries have a higher number of significant risks identified during the audit.

Graph 3: The average number of KAMs reported in the different sectors by South Africa, Australia and the UK



4.2.3 What are the number of specific KAMs issues being reported by each audit firm in SA, UK and Australia?

Graph 4: A comparison of the number of KAMs reported by the different audit firms



In all audit firms across each country, South African audit firms report a lower average number of KAMs in comparison to UK based audit firms. Although Australia also only adopted the reporting of KAMs after the UK together with South Africa, the audit firms in Australia reported a higher average number of KAMs than South Africa. From the graphs above it can also be seen that in each country, the audit firms generally report the same number of KAMs. An observation from the table below is that the lowest standard deviation is in relation to the number of KAMs reported by KPMG in Australia and the highest standard deviation relates to the number of KAMs reported by PwC in Australia.

Table 17: A comparison of the number of KAMs reported by the different audit firms

Total number of KAMs

Audit firm	Country	N	Std. Deviation	Minimum	Maximum	Median	Mode
Deloitte	Australia	8	1.165	2	5	3.00	3
	South Africa	12	.996	2	5	2.00	2
	United Kingdom	19	1.924	2	8	3.00	3
EY	Australia	34	1.286	0	6	3.00	3
	South Africa	23	.896	1	4	2.00	2
	United Kingdom	24	1.692	2	9	4.00	4
Grant Thornton	South Africa	2	.000	3	3	3.00	3
Joint audit	South Africa	11	1.300	3	6	3.00	3
KPMG	Australia	24	.868	2	5	3.00	3
	South Africa	16	1.360	1	6	2.00	2
	United Kingdom	22	1.492	3	9	5.00	6
PWC	Australia	34	1.022	2	6	3.00	3
	South Africa	36	1.334	1	6	3.00	3
	United Kingdom	35	2.170	1	9	4.00	3

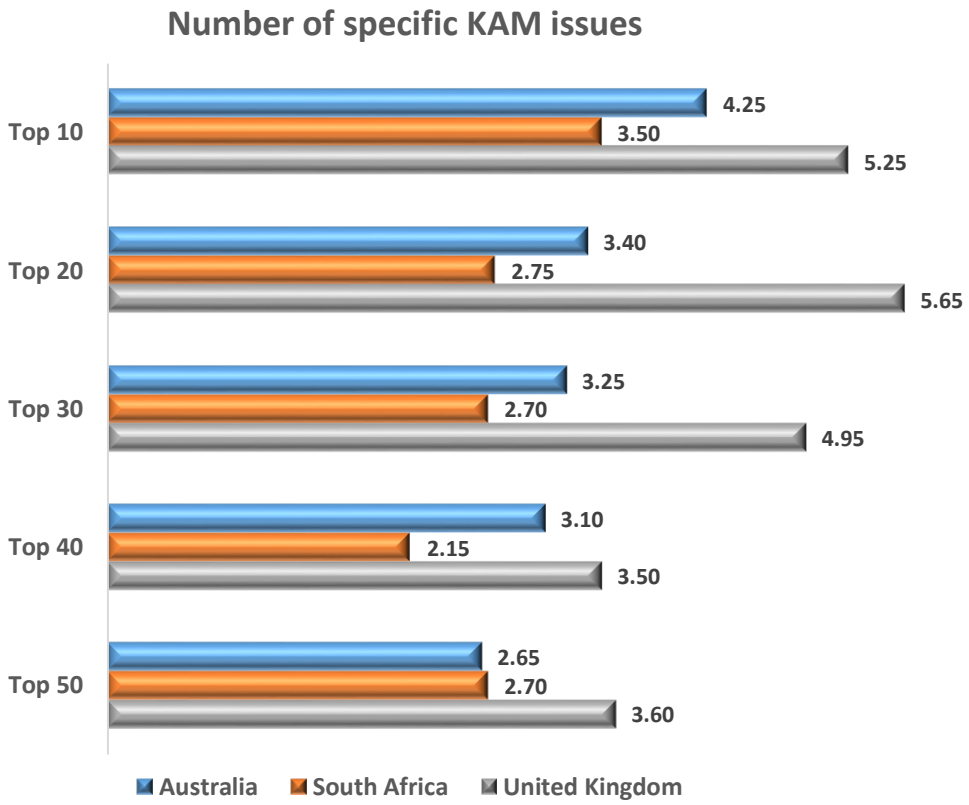
From table 17 above, another noticeable difference which can be observed is that the highest maximum number of KAMs reported by audit firms was in the UK and included both 8 to 9 KAM issues. The mode between the audit firms across the countries was similar and had a range between 2 and 4 KAMs. The average number of KAMs reported by the audit firms across all three countries appears to report an average number of KAMs compliant with the recommendations by ACCA which is between 2 and 4 KAMs. However, in the UK the average number of KAMs reported by the audit firms is on the higher end at almost 5 KAMs. As mentioned in section 4.2.1, in the initial implementation of KAMs in the UK, the UK reported all significant risks of material misstatements as KAMs. This behaviour was discouraged by governing bodies such as ACCA, (see section 2.3.1 and 2.3.3).

4.2.4 What are the number of specific KAMs issues being reported by the different size companies SA, UK and Australia?

As identified in the literature (see section 2.2.2), larger-sized clients are seen to be high risk because of complex operations, as well as operating across more than one industry.(Carcello & Nagy, 2004). It is expected that larger sized companies will report a higher number of KAMs

than smaller sized companies. Graph 5 below will be analysed to compare the number[8] of key audit matters reported by the different-sized companies across South Africa, Australia and the UK:

Graph 5: A comparison of the number of KAMs reported for the different sized companies



Across all three countries the top 10 larger-sized companies reported a higher average number of KAMs than to the top 50 companies which are identified as smaller-sized companies. The difference in the average number of KAMs between the top 10 and top 50 companies was only 1 for South Africa and the UK. This difference was slightly higher in the UK which had a difference of 2 KAMs. The number of KAMs reported by companies in the top 50 range in South Africa have a lower standard deviation as opposed to the top 30 companies in the UK which has a higher standard deviation. The findings of the top 10 companies reporting a larger average number of KAMs may be understood in the context of the previous which stated that larger-sized companies may be higher risk (Carcello & Nagy, 2004). However, with reference to the graph 5 there is not a directly proportionate decrease of the average number of KAMs reported as the size of the company decreases. This may be due to the sample of companies being the top 50 companies listed on all three exchanges and having a similar size and complexity. There is opportunity for future research to compare the

[8] The number of KAMs will be rounded to the nearest whole number in the discussion.

number of KAMs reported between listed and non-listed entities which may identify the difference in the number of KAMs reported for largely different sizes of companies and contribute to the comparisons of the significant risk identified in the audit of listed verses non-listed entities.

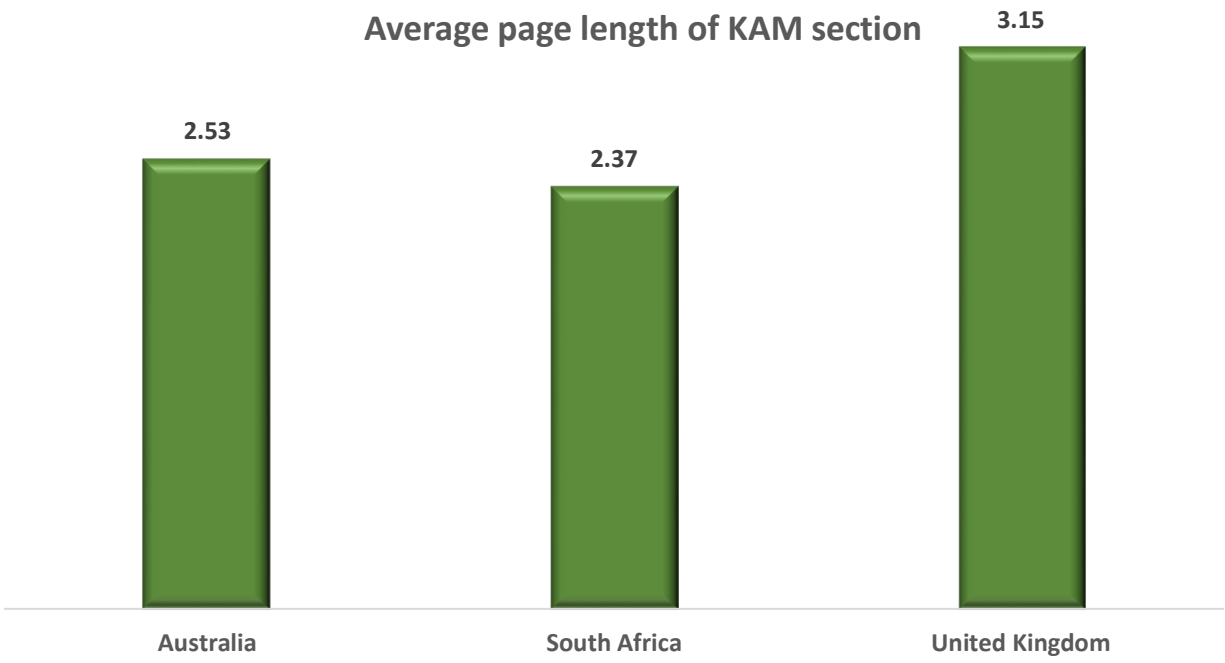
Table 18: A comparison of the number of KAMs reported for the different sized companies

Relative company size	Country	N	Std. Deviation	Minimum	Maximum	Median	Mode
Top 10	Australia	20	1.164	2	6	4.50	5
	South Africa	20	1.670	1	6	3.00	3
	United Kingdom	20	1.803	3	9	5.00	4
Top 20	Australia	20	.821	2	5	3.50	4
	South Africa	20	1.333	1	5	3.00	3
	United Kingdom	20	1.496	3	8	5.50	5
Top 30	Australia	20	.851	2	5	3.00	3
	South Africa	20	1.081	1	5	2.50	2
	United Kingdom	20	2.139	2	9	4.00	4
Top 40	Australia	20	.718	2	5	3.00	3
	South Africa	20	.933	1	4	2.00	2
	United Kingdom	20	1.504	1	7	3.00	3
Top 50	Australia	20	1.226	0	5	3.00	3
	South Africa	20	.657	2	4	3.00	3
	United Kingdom	20	1.231	1	6	4.00	3

4.2.5 What is the average page length of the KAM section reported by the different countries?

In understanding the differences of the average page length of the KAM section of the audit report across the different countries, reference will be made to the feedback received by the ACCA round table where it was considered that the KAM section should be no more than two to three pages or else the disclosure of KAMS may lose impact (ACCA, 2018).

Graph 6: A comparison of the average page length of the KAM section in the audit report



From graph 6, South Africa has the least number of pages containing KAMs in the audit report. However, the difference in the average page length among the countries is not significant and within the range of 2-3 pages which is the ideal page length for the KAM section to be identified as impactful. The standard deviation is lowest in Australia and highest in the UK.

Table 19: A comparison of the page length of the KAM section in the audit report

Country	N	Std. Deviation	Minimum	Maximum	Median	Mode
Australia	100	1.0430	.0	5.0	2.000	2
South Africa	100	1.3828	1.0	7.0	2.000	2
United Kingdom	100	1.6104	1.0	9.0	3.000	2

It is interesting to note that the mode of the page length of the KAM section across all three countries were the same at 2 pages. However, there is a significant difference in the maximum length of pages which contain the KAM section in the audit report. The UK contained the highest number of pages at 9 pages compared to South Africa at 7 pages and Australia at 5

pages. The reason why the number of pages of KAM section is higher in the UK may be correlated to the higher number of KAMs reported as identified in section 4.2.1. The last section will provide the summary of findings of the study as well as recommendations for future research to be conducted.

5. Conclusion and recommendations

5.1 Summary of findings

The objective of this study was to explore the nature and extent of KAMs which are reported across South Africa, Australia and the UK. An exploratory study is not aimed at providing conclusive responses to the research questions. The study is aimed at exploring KAMs and the related research questions across varying levels of depth. This type of study is appropriate

as the requirement to disclose KAMs as per ISA 701 has been recently implemented and there is a lack of literature on the topic. This section will highlight key findings analysed in the results section.

The UK was the first implementer of KAMs, as discussed previously, and was used as a benchmark when comparing the KAMs across South Africa, Australia and the UK. This, together with the overall objective of the IAASB in the implementation of KAMs, helps us explore the rationale around the nature and extent of KAMs reported for SA, the UK and Australia.

Key findings on the nature of KAMs

The nature of KAMs across South Africa, Australia and the UK were largely similar and remained fairly consistent from the initial post-implementation review conducted in 2016. These KAMs were asset valuation; goodwill and intangibles impairment; financial instruments and taxation. The significant involvement of management judgement was a recurring theme of the reasons why these areas were reported as KAMs. As a result, it is deemed that the impact of KAMs on the effects of the principle-agency theory is pertinent. As discussed in the literature review, users of the audit report, which include the entities shareholders (principal), now have more insight on the effect of managements accounting decisions on the financial statements which include accounting policies. ISA 701 requires that KAM disclosures make reference to the notes of the financial statements, this allows users of the audit report to put the issue identified in the audit report in context. According to previous studies discussed in the literature review (please see section 2.1) it is considered that the managements accounting behaviour is deemed to become more conservative and appropriate considering their accounting decisions may be disclosed as KAMs.

The key findings from the nature of KAMs reported across the different sectors was considered for the riskiest sectors identified in the literature review such as the financial sector and telecommunication sector. In the financial sector, Australia and the UK reported mostly IT-related issues, compared to South Africa where financial instruments were the most frequently reported KAM. This reflects the differences in technology in developed and developing countries (Raja & Christiaensen, 2017). Financial instruments were considered to be the most frequently reported KAM because the complexities contained in the newly implemented accounting standard IFRS 9 *Financial instruments* (ACCA, 2018).

The analysis of the nature of KAMs which the different sized companies reported was better understood in the context of the type of sectors in which the companies operated. Across all three countries, the larger entities were mainly financial services entities whereas the smaller entities were largely in the consumer goods and services sector. The nature of the KAMs reported by the smaller sized companies were inventory valuation and revenue related KAMs.

Both KAMs reflect the operations in the consumer goods and services sector which contain large amounts of inventory and revenue transactions. This was consistent with the idea that KAMs should include industry-specific matters as recommended by the ACCA roundtable suggestions discussed in the literature review (ACCA, 2018).

It can be argued that all audit firms across South Africa, Australia and the UK reported largely similar KAMs due to the standardised compliance with ISA and standardised methodology. IAS 36 *Impairments* was the most frequently reported accounting standard referred to in the KAM section by all audit firms in South Africa and the UK. The impairment determination requires a significant level of management judgement which, in accordance with ISA 701, is required to be disclosed as a KAM (IAASB, 2015).

The nature of KAMs reported by all three countries were largely similar and did not include much insight into the specific regulatory and operational conditions that existed in each country. As discussed in the literature review (see section 2.4), some of the issues that the UK was facing at the time of this study included issues such as Brexit. There was less than 5% of KAMs that were reported in the UK, mentioning the impact of Brexit as significant risk identified in the audit. In South Africa, the effects of the weakening economy and state capture and were not considered in disclosure of KAMs. Lastly, in Australia the effects of the change in prime minister and related political effects on the economy could have been considered. According to ACCA, in order for KAMs to have value it should contain industry specific and regulatory matters faced by the entity.

Key findings on the extent of KAMs

In respect of the extent of KAMs reported, in South Africa the average reported number of KAMs was 2.76 which was less than both Australia and UK whose average was 3.33 and 4.59, respectively. The UK was the first country to implement the reporting of key audit matters. As discussed in the literature review (See section 2.3), In the initial phase of implementation, it was common that auditors reported all their significant risks as KAMs which resulted in too many KAMs being reported. Although the number of KAMs reported by the UK has decreased since the initial implementation of the reporting of significant risks identified in the audit, the average number of KAMs reported by the UK is above the number of KAMs expected to be reported to make the reporting of KAMs impactful.

The number of KAMs reported in the different sectors was discussed with reference to the higher risk sectors as identified in the literature. This was done as KAMs are identified as the areas in the audit which had a significant level of risk, so entities in riskier sectors are deemed to disclose more KAMs. In the riskier sector such as the financial sector, South Africa reported

the lowest number of KAMs. South Africa reported the highest number of KAMs compared to the other countries in the energy and utilities sector.

South African audit firms reported the lowest average number of KAMs in comparison to UK based audit firms. However, although Australia also only adopted the reporting of KAMs after the UK, the audit firms in Australia reported a higher average number of KAMs than did South Africa. Although there was a difference in the average number of KAMs reported by the different audit firms, the range of the average number of KAMs reported was between three to five.

Across all three countries the top 10 larger-sized companies reported a higher average number of KAMs compared to the top 50 companies which are identified as smaller-sized companies. The difference in the average number of KAMs between the top 10 and top 50 companies was only 1 for South Africa and the UK. This difference was slightly higher in the UK which had a difference of 2 KAMs.

Lastly, the page length of the KAM section in the audit report was frequently reported across two pages for all three countries. The shorter the number of pages the KAM section is, the more impact the section has. However, the maximum number of pages of the KAM section in the audit report consisted for 9 pages for the UK, seven pages for Australia and five pages in South Africa. The higher page length of the KAM section may reduce the readability of the section, which will result in the objective of the introduction of KAMs becoming ineffective.

5.2 Areas for future research

This study is expected to contribute to the existing literature in many ways. Firstly, the results of this study reveal the nature and extent of KAMs reported across South Africa, Australia and the UK. These results help in comparing the nature and extent of KAMs reported by the first implementer of KAMs which was the UK to South Africa and Australia which subsequently adopted the reporting of KAMs. Additionally, it provides a comparison between developed countries (Australia and the UK) and developing countries (South Africa). The comparison across these countries was conducted across various platforms including industry sectors and sizes of companies. This will assist regulators in understanding the way audit firms have adopted the requirement to consider and disclose KAMs.

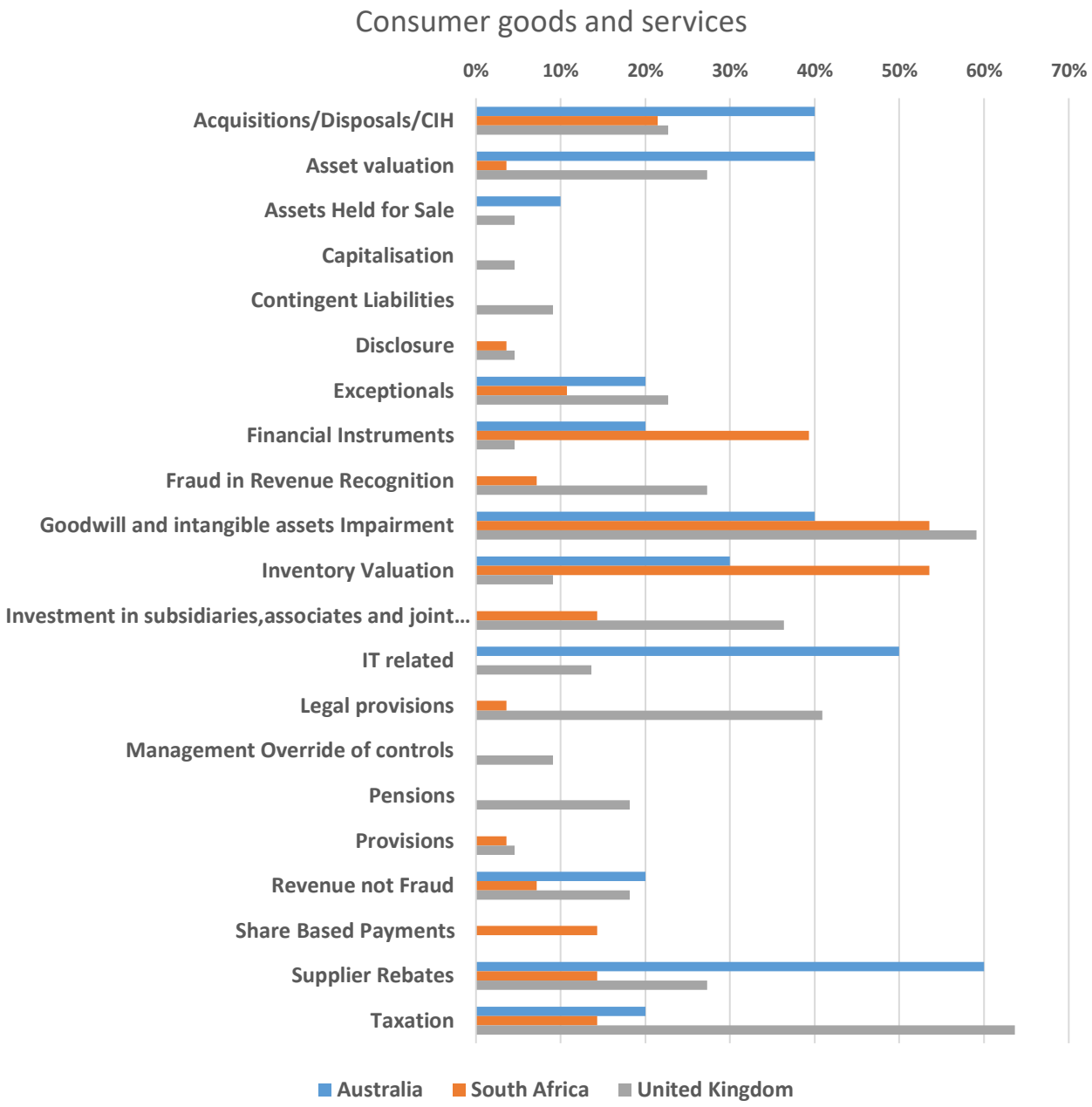
ISA 701 is mandatory for audits for the period ending on or after 15 December 2016, therefore research on the disclosure of KAMs is minimal (IAASB, 2015). In the US, the comparative of KAMs disclosure known as critical audit matter disclosure has become effective for periods ending on and after 30 June 2019 which may provide additional research opportunities. This study was limited to listed companies: future research should consider comparing the disclosure of KAMs between listed and non-listed entities. Additionally, an interesting research

opportunity would be in studying the methodology of audit firms in identifying and disclosing KAMs during the audit. This would provide insight on the actual determination of KAMs within the audit process.

Appendices

Appendix A – KAMs reported by the different industries in SA, Australia and UK

Industry data separated by country but not separated by year


Consumer goods and services
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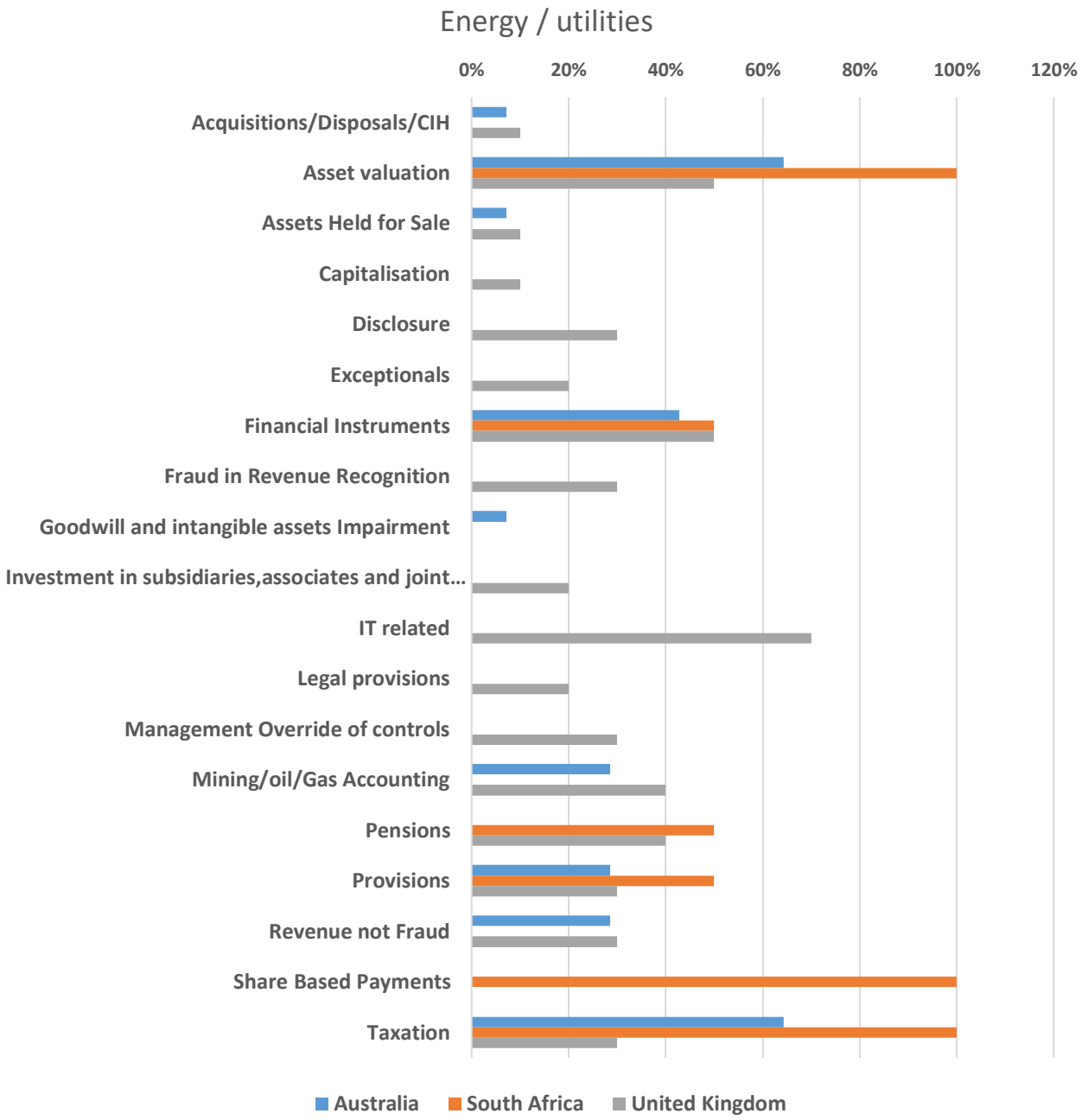
20%
30%
40%
50%
60%
70%
Acquisitions/Disposals/CIH
Asset valuation
Assets Held for Sale
Capitalisation
Contingent Liabilities
Disclosure
Exceptionals
Financial Instruments
Fraud in Revenue Recognition
Goodwill and intangible assets Impairment
Inventory Valuation
Investment in subsidiaries,associates and joint...
IT related
Legal provisions
Management Override of controls
Pensions
Provisions
Revenue not Fraud
Share Based Payments
Supplier Rebates
Taxation
Australia
South Africa
United Kingdom


Energy / utilities
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60%
80%
100%
120%
Acquisitions/Disposals/CIH
Asset valuation
Assets Held for Sale
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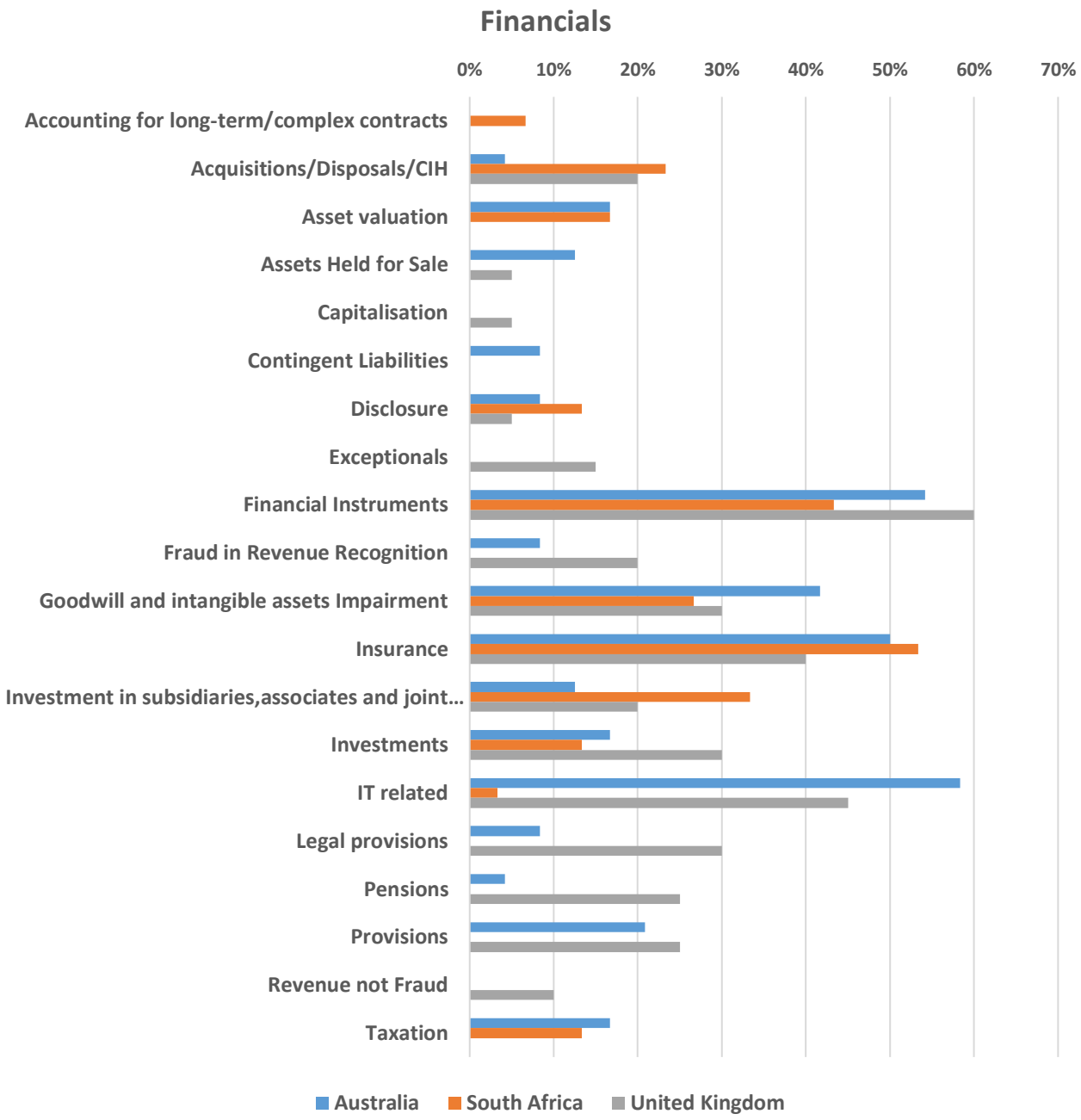
Exceptionals
Financial Instruments
Fraud in Revenue Recognition
Goodwill and intangible assets Impairment
Investment in subsidiaries,associates and joint...
IT related
Legal provisions
Management Override of controls
Mining/oil/Gas Accounting
Pensions
Provisions
Revenue not Fraud
Share Based Payments
Taxation
Australia
South Africa
United Kingdom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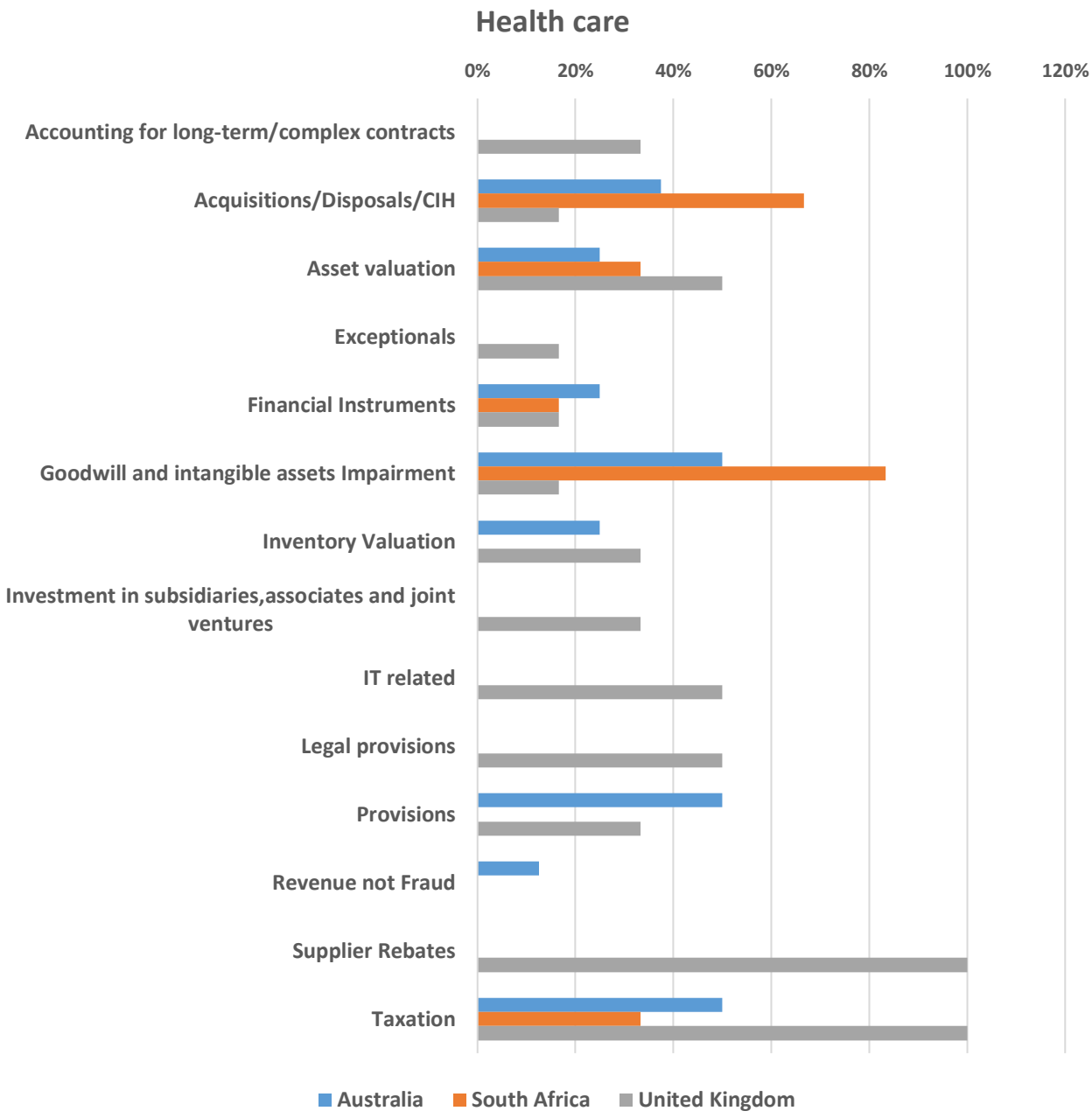
50%
60%
70%
Accounting for long-term/complex contracts
Acquisitions/Disposals/CIH
Asset valuation
Assets Held for Sale
Capitalisation
Contingent Liabilities
Disclosure
Exceptionals
Financial Instruments
Fraud in Revenue Recognition
Goodwill and intangible assets Impairment
Insurance
Investment in subsidiaries,associates and joint...
Investments
IT related
Legal provisions
Pensions
Provisions
Revenue not Fraud
Taxation
Australia
South Africa
United Kingdom


Health care
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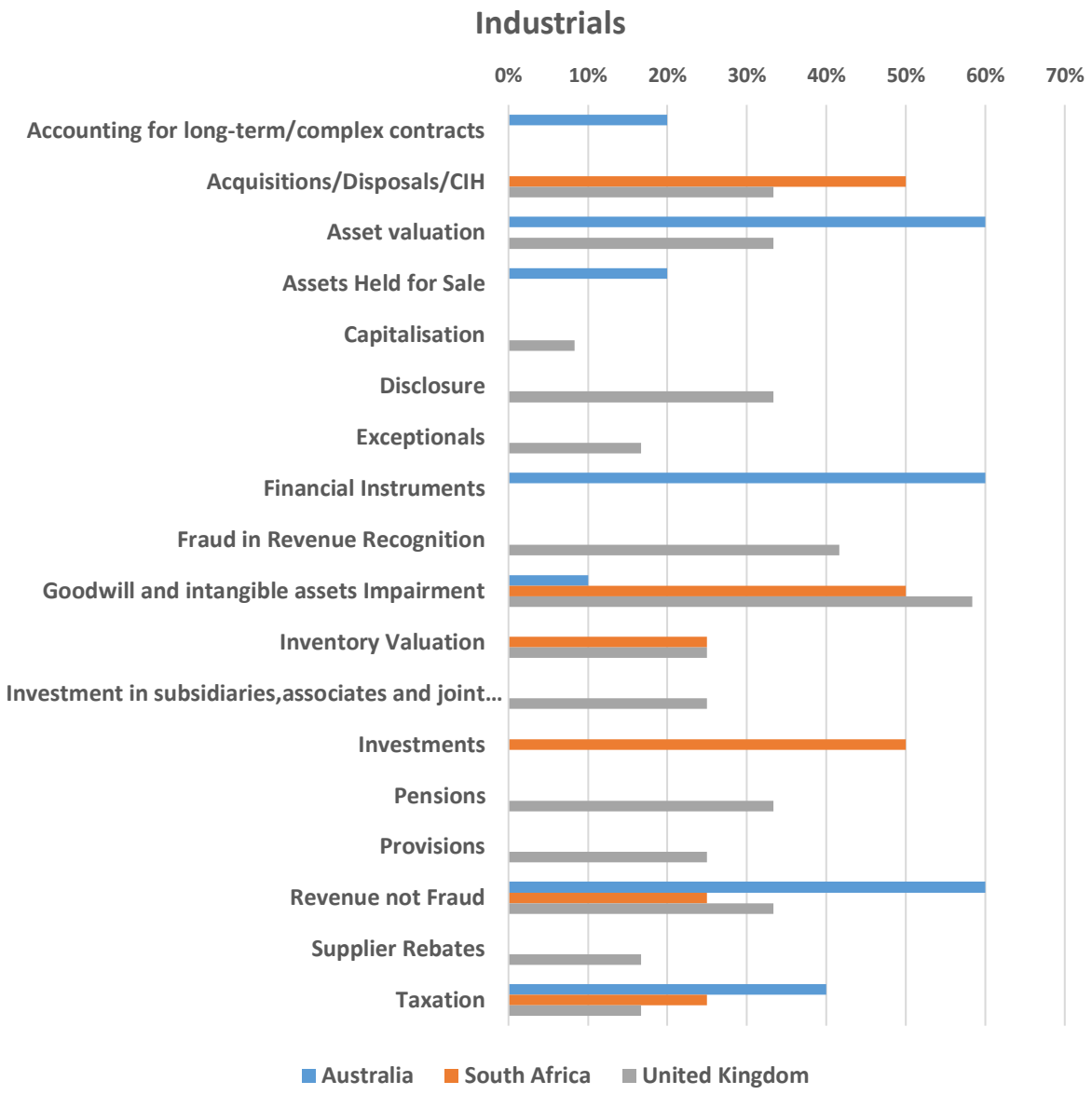
20%
40%
60%
80%
100%
120%
Accounting for long-term/complex contracts
Acquisitions/Disposals/CIH
Asset valuation
Exceptionals
Financial Instruments
Goodwill and intangible assets Impairment
Inventory Valuation
Investment in subsidiaries,associates and joint ventures
IT related
Legal provisions
Provisions
Revenue not Fraud
Supplier Rebates
Taxation
Australia
South Africa
United Kingdom


Industrials
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70%
Accounting for long-term/complex contracts
Acquisitions/Disposals/CIH
Asset valuation
Assets Held for Sale
Capitalisation
Disclosure
Exceptionals
Financial Instruments
Fraud in Revenue Recognition
Goodwill and intangible assets Impairment
Inventory Valuation
Investment in subsidiaries,associates and joint...
Investments
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Revenue not Fraud
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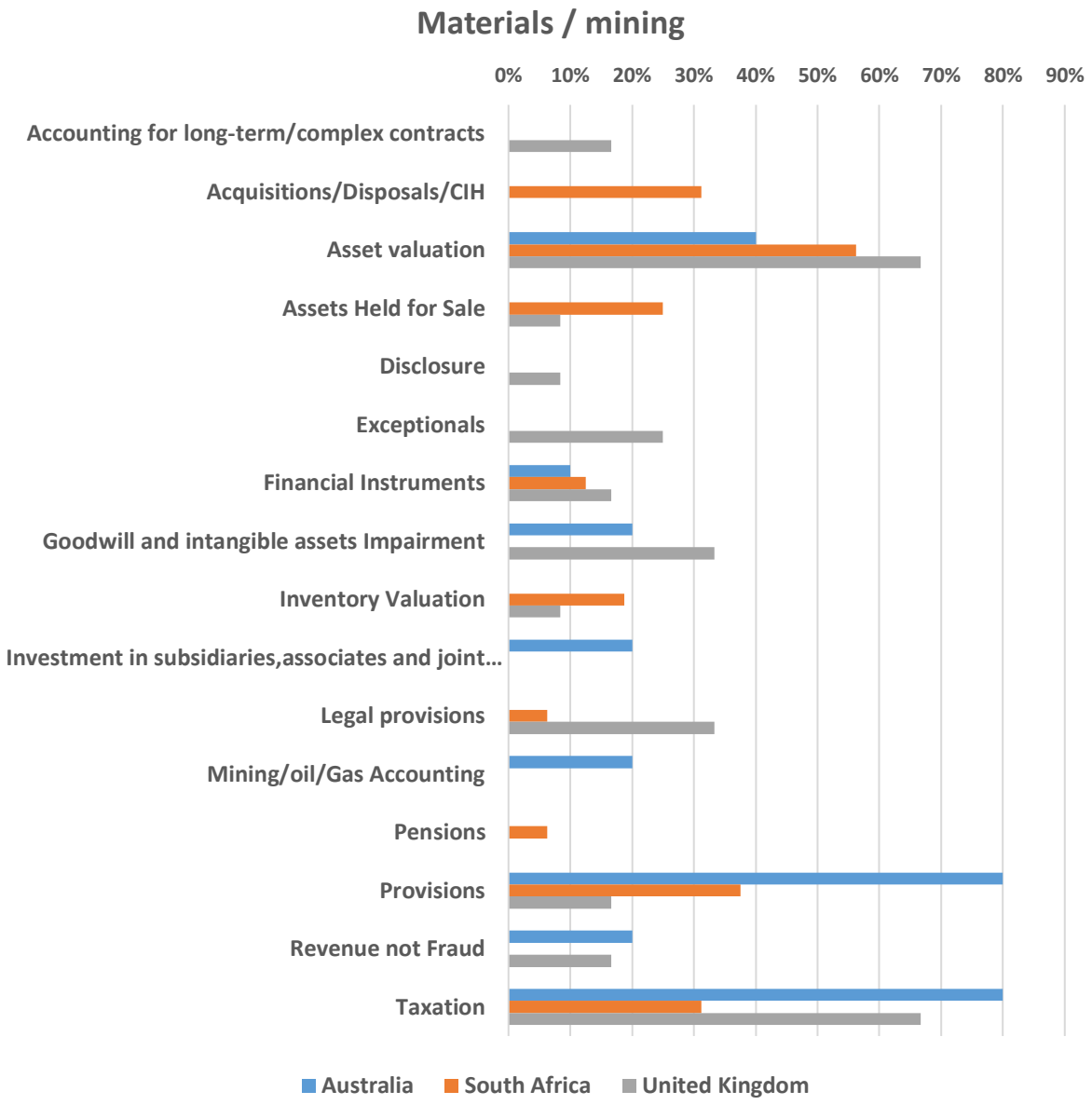
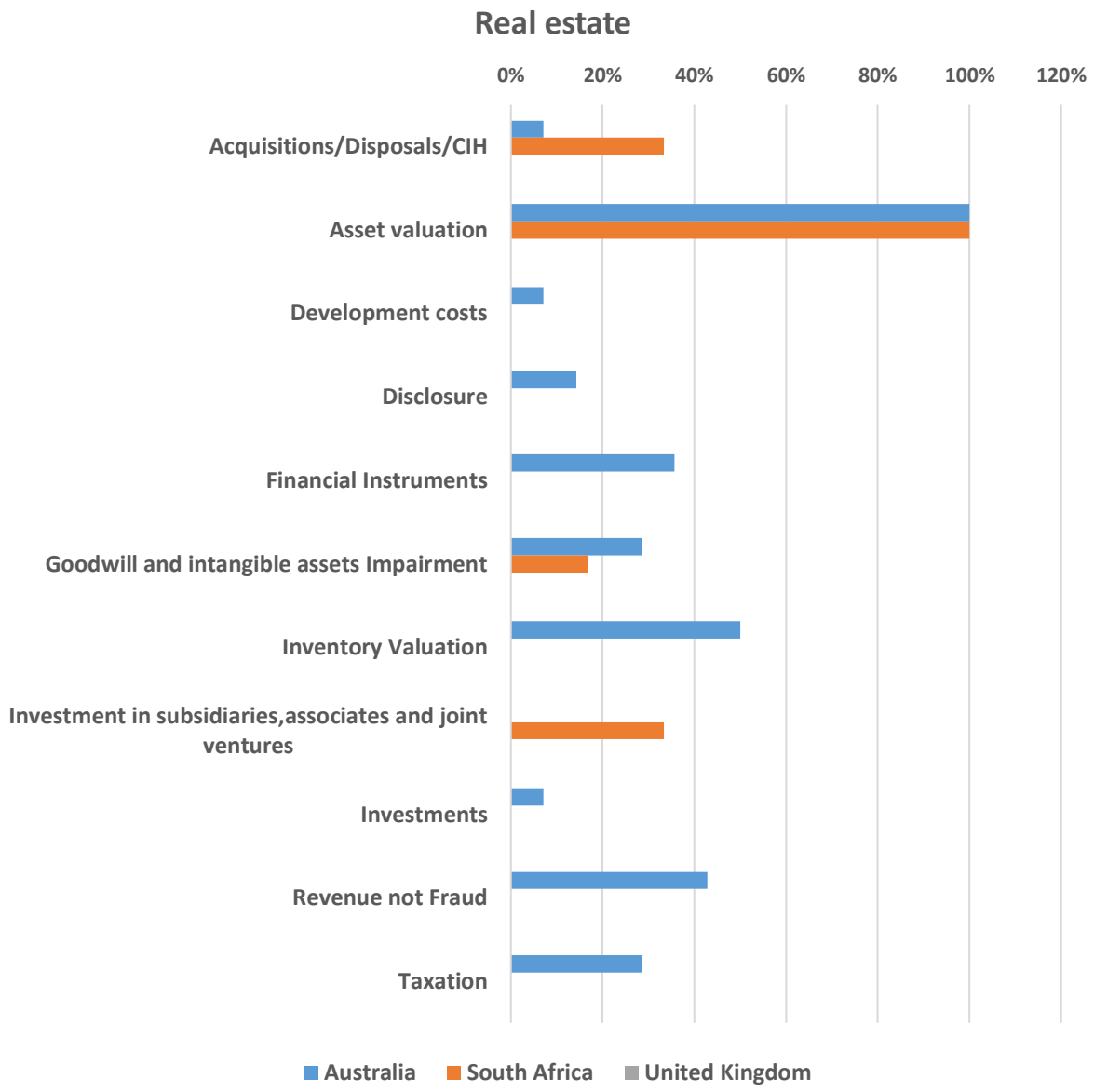
Australia
South Africa
United Kingdom


Materials / mining
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
Accounting for long-term/complex contracts
Acquisitions/Disposals/CIH
Asset valuation
Assets Held for Sale
Disclosure
Exceptionals
Financial Instruments
Goodwill and intangible assets Impairment
Inventory Valuation
Investment in subsidiaries,associates and joint...
Legal provisions
Mining/oil/Gas Accounting
Pensions
Provisions
Revenue not Fraud
Taxation
Australia
South Africa
United Kingdom


Real estate
0%
20%
40%
60%
80%
100%
120%
Acquisitions/Disposals/CIH
Asset valuation
Development costs
Disclosure
Financial Instruments
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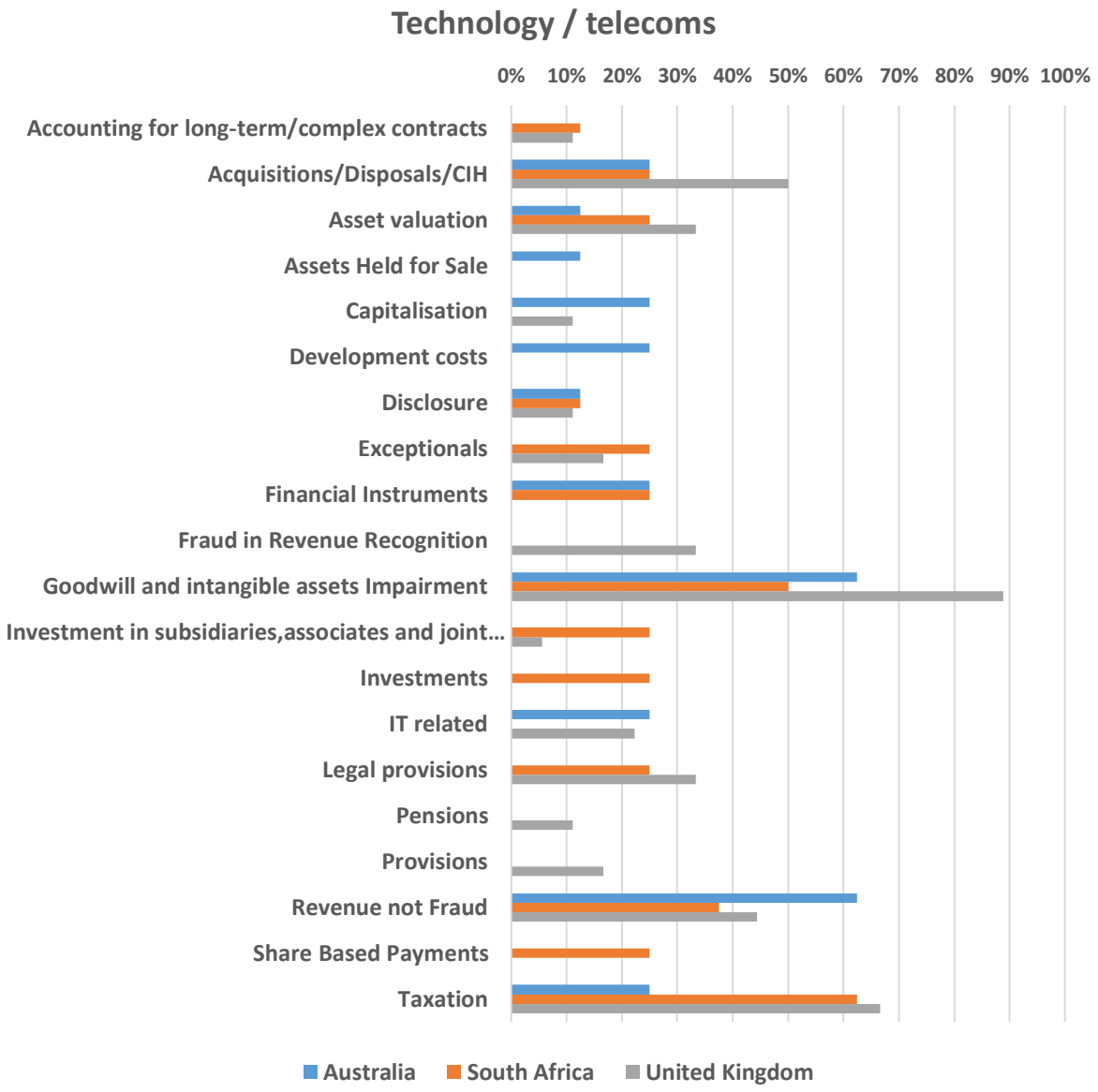
Inventory Valuation
Investment in subsidiaries,associates and joint ventures
Investments
Revenue not Fraud
Taxation
Australia
South Africa
United Kingdom


Technology / telecoms
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Accounting for long-term/complex contracts
Acquisitions/Disposals/CIH
Asset valuation
Assets Held for Sale
Capitalisation
Development costs
Disclosure
Exceptionals
Financial Instruments
Fraud in Revenue Recognition
Goodwill and intangible assets Impairment
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Legal provisions
Pensions
Provisions
Revenue not Fraud
Share Based Payments
Taxation
Australia
South Africa
United Kingdom

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