case study 1.1

Corporation of New Zealand Limited Auditors’ Report 2013

The following extract is taken from the Telecom Corporation of New Zealand Limited (Telecom NZ) Annual Report for the year ended 30 June 2013 (p. 69).



Questions

1 Does Telecom NZ provide a complete set of financial statements as required by NZ IAS 1?

2 The auditors state that the financial statements provide information about the financial performance and financial position of the company and group. What is the difference between ‘company’ and ‘group’?

3 The directors of Telecom Corporation of New Zealand Limited are responsible for the preparation of financial statements that give a true and fair view of the financial position of the company and group. How can ‘true’ and ‘fair’ be assessed in this context?

4 Give examples of the ‘estimates’ and ‘judgements’ directors have to assume in the preparation of the financial statements.

5 The auditors seek reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. How can materiality be reasonably defined in this context?

6 What is the ‘New Zealand generally accepted accounting practice’ the auditors refer to in their unqualified opinion?

7 Why does New Zealand legislation require the independent audit of financial statements?

8 Discuss whether the justification the auditors provide for their independence is sufficient.

9 What are the ‘New Zealand Auditing Standards’ the auditors’ reports are based on, and who is responsible for setting such standards?

10 The auditors examined the amounts and disclosures in the financial statements only ‘on a test basis’. Do you believe that this method is sufficient?