

Question:

You are an audit manager working for Raven & Co, a firm of Chartered Certified Accountants. You specialise in the audits of companies in the information technology industry. Issues have recently arisen in relation to two different clients which require your attention.

(a) Gull Co is a large, private company which is currently owned by the Brenner family, who own the majority of the company's shares. Following the completion of the audit this year, the finance director, Jim Brenner, contacted you and told you that the family is considering listing the company on the stock exchange. They would like to recruit one of your audit partners for a six-month period to help prepare for the listing. As the board is concerned that the necessary skills and personnel to support the listing are not currently present within the company, Jim Brenner has also requested that your firm assist them in identifying and recruiting new members to the board.

Currently, most of the executive director roles are performed by family members, except for the directors of operations and human resources, who are both long-serving employees. The board operates no audit committee and there is only one non-executive director, who works elsewhere as an IT consultant. Other than the recruitment of new board members, Gull Co is not planning on making any changes to its governance structure prior to or subsequent to listing.

Gull Co has a financial year ending 31 March 2017, and audit planning is scheduled to take place in January 2017.

Required:

In relation to the information provided for Gull Co, comment on:

- (i) The ethical and professional matters in relation to the recruitment requests made by Gull Co;
- (ii) The implications the governance structure and proposed listing may have on the audit process.

Note: The total marks will be split equally between each part. (10 marks)