

You are a senior manager in the audit department of Raven & Co. You are reviewing two situations which have arisen in respect of audit clients, which were recently discussed at the monthly audit managers' meeting:

Grouse Co is a significant audit client which develops software packages. Its managing director, Max Partridge, has contacted one of your firm's partners regarding a potential business opportunity. The proposal is that Grouse Co and Raven & Co could jointly develop accounting and tax calculation software, and that revenue from sales of the software would be equally split between the two firms. Max thinks that Raven & Co's audit clients would be a good customer base for the product.

Plover Co is a private hospital which provides elective medical services, such as laser eye surgery to improve eyesight. The audit of its financial statements for the year ended 31 March 2012 is currently taking place. The audit senior overheard one of the surgeons who performs laser surgery saying to his colleague that he is hoping to finish his medical qualification soon, and that he was glad that Plover Co did not check his references before employing him.

While completing the subsequent events audit procedures, the audit senior found a letter from a patient's solicitor claiming compensation from Plover Co in relation to alleged medical negligence resulting in injury to the patient.

Required:

Identify and discuss the ethical, commercial and other professional issues raised, and recommend any actions that should be taken in respect of

(a) Grouse Co; and (8 marks)

(b) Plover Co. (7 marks)