

Exhibit 1 – Email from audit partner

To: Charlie Banks, audit manager
From: Gavin Jones, audit partner
Subject: Potential new client – Medix Co
Date: 1 July 20X5

Charlie,

I would like you to prepare some briefing notes for me to use to help me decide whether to proceed with the appointment as auditor to a new client, Medix Co.

I recently held a meeting with the finance director of Medix Co, Rebecca Feller, and I've attached my notes from it to this email (Exhibit 2). I have also held a discussion with the current engagement partner for the Medix Co audit, Mick Evans, who runs a small accounting and audit practice in which he is one of two partners. I have attached an extract from an email that I recently received from him (Exhibit 3). Finally, I have come across an article in a local newspaper that mentions Medix Co, but I haven't had a chance to read through it yet. I've attached some extracts from it (Exhibit 4).

In your notes, please:

- (a) (i) Evaluate the professional, ethical and other issues to be considered in deciding whether to proceed with the appointment as auditor of Medix Co **(10 marks)**
- (ii) Evaluate the ethical issues arising from the request in relation to Kia Nelson **(6 marks)**
- (b) (i) Discuss the relationship between the concepts of 'business risk' and 'risk of material misstatement' **(4 marks)**
- (ii) Identify and explain the potential risks of material misstatement caused by:
 - the breach of planning regulations discussed in the press cutting
 - the plans to discontinue the range of medical consumables
 - the research and development expenditure **(15 marks)**
- (c) Evaluate the principal business risks facing Medix Co. **(11 marks)**

Thanks for your help with this.

Gavin