

ETHICS CHALLENGE

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BTN 7-3 Erica Gray, CPA, is a sole practitioner. She has been practicing as an auditor for 10 years. Recently a long-standing audit client asked Gray to design and implement an integrated computer-based accounting information system. The fees associated with this additional engagement with the client are very attractive. However, Gray wonders if she can remain objective on subsequent audits in her evaluation of the client's accounting system and its records if she was responsible for its design and implementation. Gray knows that professional auditing standards require her to remain independent in fact and appearance from her auditing clients.

Required

1. What do you believe auditing standards are mainly concerned with when they require independence in fact? In appearance?
2. Why is it important that auditors remain independent of their clients?
3. Do you think Gray can accept this engagement and remain independent? Justify your response.