AI Monitor:

Shining a light on AI's ethical threats for finance professionals.

ACCA

ACCA AND CISI REPORT

CISI

About ACCA.

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **252,500** members and **526,000** future members in **180** countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Find out more at **accaglobal.com**

About CISI.

The Chartered Institute for Securities & Investment (CISI) is a global professional body that sets the highest standards of professional excellence in a broad range of financial services disciplines.

For over 30 years, we have been championing integrity, raising individual standards of knowledge, skills and behaviour in the UK and internationally, and working to enhance public trust and confidence in financial services ever since we emerged from the London Stock Exchange in 1992.

For more information about our organisation, please visit **cisi.org**

Contents.

1. Executive summary.

ACCA and CISI continue to explore the evolving intersection of artificial intelligence (AI) and ethics in finance – equipping finance and financial services professionals with both the technical fluency and ethical judgement to navigate a complex digital landscape.

The ethical implications of AI remain a critical focus. Guided by our respective principles, we identify key ethical threats – eg fairness, bias and discrimination – and the competencies needed to mitigate them as far as possible.

AI presents not only ethical challenges and potential threats to our fundamental principles – but also opportunities for professionals. We examine these from the perspective of the finance professional using AI on a day-to-day basis.

Finance professionals are uniquely positioned to model the ethical use of AI in ways that enhance integrity, transparency, and societal benefit. This report explores how we lead in this area through:

- balancing efficiency with integrity
- ensuring application of our fundamental principles, while
- maintaining client trust
- regulatory compliance
- transparency to create strategic insight.

Through global roundtables, we draw on real world perspectives to examine three cross-disciplinary dilemmas and inform practice:

- Audit automation
- Algorithmic appraisals in HR
- Data sharing for tax advice.

The insights that emerge centre around three interconnected domains – **individual responsibility, organisational governance, and policy leadership** – each critical to shaping the ethical use of AI in the future. Together, ACCA and CISI promote responsible AI – reinforcing professionals' role as the guardian of ethics through the consistent application of our principles.

'AI presents not only ethical challenges and potential threats to our fundamental principles – but also opportunities for professionals.'

* Throughout this report, the term professionals is used to encompass finance professionals, professional accountants, and financial services practitioners.

The four key findings are:

1. AI poses specific **ethical threats** for finance professionals
2. **Consistently adhering to principles** helps mitigate threats
3. **AI literacy** is essential to continue to effectively employ our principles
4. **Alignment** is needed to address ethical challenges

2. Key findings.

AI is no longer an emerging concept – it's embedded in many aspects of daily life.

From content recommendations to automated customer service and voice recognition, people interact with AI regularly – often without realising it. This emphasises the urgency of understanding the ethical implications of using AI to ensure consistent application of and adherence to our respective principles.

With support from CISI and ACCA members during roundtable discussions that examined three fictious scenarios, our report considers how:

1) AI poses specific ethical threats for finance professionals

Our roundtable discussions identified eight categories of ethical threats that are related to the daily work of professionals.

These ethical threats might arise from:

- technical construction
- data quality or limitations
- how we use and interact with AI systems.

Ethical oversight when using AI is not optional – it is essential. Exercising our professional judgement has never been more important.

Figure 1: Some of the **key ethical threats** for professionals raised during roundtable discussions

2) Consistently adhering to principles helps mitigate threats

The key questions are: How do we use AI ethically? How do we ensure consistent adherence to / application of our fundamental principles? Who is ultimately responsible / accountable for making ethical decisions based on information generated through AI use?

While technology undoubtedly enhances our professional capabilities, its application must be anchored in our ethical obligations and relevant codes of conduct. As accountants, we are required to apply these principles with care and diligence – ensuring we:

- use AI responsibly and transparently
- establish robust governance frameworks, that:
- clearly define and document reporting lines and ultimate accountability
- design and implement effective controls to mitigate risks and safeguard public trust.

3) AI literacy is essential to continue to effectively employ our principles

As AI evolves, finance professionals must combine technical understanding with ethical judgement to scrutinise AI's use, outcomes and alignment with the public interest – what we call AI literacy.

Through such scrutiny, professionals continue to uphold our fundamental principles while navigating the ethical dilemmas of AI – maintaining trust, transparency and integrity in a rapidly changing digital and geopolitical world.

ACCA and CISI champion AI literacy through our qualifications, shared Certificate of Ethical AI, and continuing professional development (CPD) programmes, which are accessible globally to members.

Our thought leadership is committed to understanding the ongoing challenges posed by AI, for example:

- algorithmic bias
- data privacy
- accountability in automated decision-making
- potential to undermine trust in both financial information and our profession.

4) Alignment is needed to address ethical challenges

The effective mitigation of ethical threats from AI requires coordination. Responsibility cannot fall solely on individual users, given the complexity and potentially systemic nature of risks. This joint report exemplifies the importance that ACCA an CISI place on collaboration across individuals, organisations, regulators, policymakers and professions in addressing the ethical challenges of AI:

- **Finance professionals** are responsible for applying principles and exercising judgement (Section 7.1).
- **Organisations** must provide necessary context for individuals to exercise judgement.
  - **Senior leaders** set the tone by prioritising the allocation of ethical resources (Section 7.2)
  - **Governance** frameworks establish clear policies and accountability mechanisms (Section 7.2)
- **Policymakers and regulators** set standards and support upskilling (Section 7.3)

'As AI evolves, finance professionals must combine technical understanding with ethical judgement to scrutinise AI's use.'

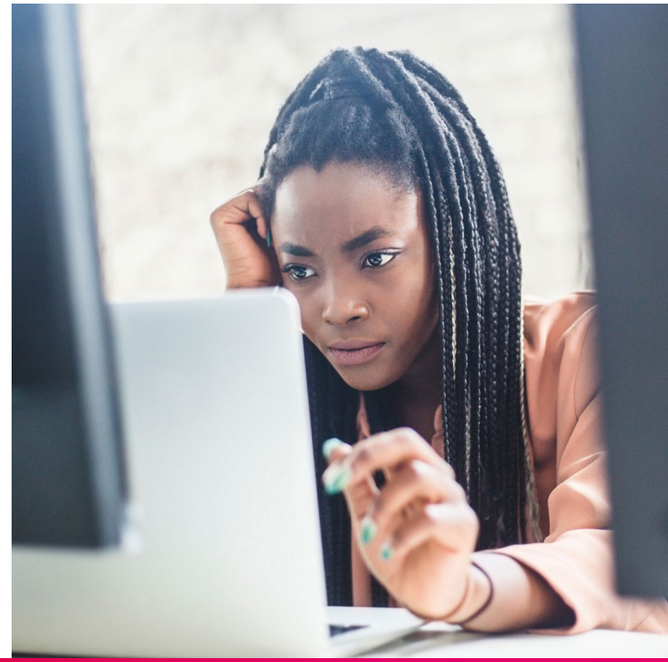
These all work in concert

Individual ethical behaviour without organisational support can lead to isolation and limited impact.

Governance without leadership risks becoming bureaucratic theatre.

And **regulatory frameworks without individual understanding** and commitment miss the spirit of ethical use.

Leadership without regulatory frameworks can create competitive disadvantage for ethical organisations.



3. AI and ethics.

3.1 What is AI?

AI refers to computer systems or machines that can perform tasks typically associated with human intelligence. In practice, AI technologies are probabilistic, pattern recognition functions that can be used for:

- visual perception
- understanding language and speech
- prediction
- content generation
- helping solve data-related problems
- performing activities with a certain degree of autonomy.

While this definition sets out some core characteristics, AI encompasses a family of technologies – each with unique applications, limitations and risks that professionals need to understand when using them.

Explore ACCA's Smart Alliance report for a discussion

3.2 What is ethics?

Ethics is concerned with analysing decisions through the lens of human values. It does not provide definitive prescriptions of right and wrong; instead, it offers a structured approach to examining problems and weighing different value priorities.

When something is described as 'ethical', it means that it aligns with human values – while recognising that perfect alignment across all values is often impossible due to trade-offs and inherent tensions.

Professionals make ethical decisions daily – ethical lapses can lead to serious consequences, including corporate failure, loss of reputation, fines, or even jail sentences.

People approach ethical decisions from different perspectives, and we must all accept that different cultures, for example, may approach ethics in individual ways. In any situation, you must begin with the laws

Machine learning	Natural Language Processing	Compter vision	GenAI	Agentic AI
Eg ML models can perpetuate and amplify biases present in their training data. An inability to identify such biases could compromise objectivity and a professional duty to act in the public interest.	Eg NLP tools require vast amounts of text data for training and operation. If this includes internal client documents, it could compromise confidentiality, integrity and professional behaviour.	Eg CV systems can be used for monitoring purposes or analysing inventory. This could violate privacy and erode trust, conflicting with confidentiality requirements. Biases in how inofrmation is processed could also lead to threats to objectivity.	Eg These models can help create content and provide knowledge support which is derivative of its training data. Without proper acknowledgementor with over-reliance it could present a threat to integrity and professional behaviour.	Eg With more autonomous systems, the chain of responsibility can become blurred. It could also lead to unpredictable or unwanted outcomes. These could pose a threat to integrity, competence and due care, and professional behaviour.

The IESBA fundamental principles

of your country. Next you look to the specific rules that govern the situation – eg if you're an auditor, you'll be bound by the relevant auditing standards in your jurisdiction. Then, as a professional, you consider the principles of your professional body, which form the basis of your professional ethics.

For professional accountants that is the fundamental principles of the IESBA Code, and for CISI members it is the standard set out within their own Code of Conduct.

3.3 IESBA's fundamental principles

ACCA has adopted the International Code of Ethics for Professional Accountants (including International Independence Standards), issued by the International Ethics Standards Board for Accountants (IESBA Code).

Our Code of Ethics and Conduct (the Code) is binding on all our members, affiliates and registered students – as well as any partner (or director) in an ACCA firm, and regulated non-members.

The fundamental ethical principles establish the standard of behaviour expected of a professional accountant. They remain fully applicable as technology evolves, including the integration of AI into accounting practices.

Professional accountants using AI tools must continue to act in the public interest, maintain confidentiality, and exercise professional judgment in accordance with the Code.

3.4 IESBA Code technology update

In 2023, the IESBA introduced key updates to the Code and related standard updates focused on technological developments. These strengthened guidance for professionals using technology – ensuring the Code remains fit for the digital age – on the fundamental principles of:

- **Confidentiality**, including explicit guidance to secure confidential information across the full data governance cycle – from generation and collection to transfer, storage, use, dissemination, and lawful destruction.
- **Professional competence and due care**, placing emphasis on developing and maintaining skills in information and communications technologies.
- **Complexity**, recognising that technology introduces a heightened inherent risk. In part, this owes to its 'black box' nature – where outcomes may be unpredictable or irrelevant due to reliance on complex data inputs and algorithms of AI machine learning.
- **Independence**, the IESBA published considerations for the guidance for auditors in technology related scenarios – with three practical examples of how to adhere to the Code's requirements in such scenarios.

Useful links

ACCA members use the IESBA Code

CISI members use their Code of Conduct

4. How does AI present ethical challenges for finance professionals?

The core ethical question of AI is not whether the technology is moral – but whether it is developed and used by humans in a way that is beneficial to society.

How do professionals use AI while consistently adhering to our fundamental principles in resolving any ethical threats? AI presents opportunities to automate decision-making at scale – but, without adequate care, we can also automate the production of ethical threats.

Another key question for professionals is, who is ultimately responsible for the ethical decisions and outcomes associated with our use of AI?

Deployment of AI technologies must be guided by relevant codes of conduct, which are relevant to the user's profession (eg the IESBA Code) and principles. It is professionals' duty to adhere to these principles diligently, ensuring that:

- we use AI responsibly
- design appropriate governance frameworks, that:
- assign and document reporting lines, and ultimate responsibility
- implement effective controls to mitigate risks and uphold public trust.

The scale, speed and opacity of algorithmic decision-making requires proactive adherence to our fundamental principles and have – with a clear understanding of any and trade-offs involved. For example, we may all agree discrimination is bad – but that alone does not determine how it is addressed.

Ethical judgements made daily by professionals have implications for clients, employees or other stakeholders. To effectively adhere to our fundamental principles, we must understand how they are transformed into systems and decisions using AI, which can cause potential complication. For example, if we do not understand how an ethical consideration (eg fairness) is incorporated into the technology used – do we fully grasp the issue?

For accountants, this is especially important. As AI becomes more embedded in financial systems, audits, and decision-making – we need to be able to speak confidently not just about ethics, but about how our fundamental principles are technically implemented.

> **We need to build AI literacy to ensure we have competence in a space that's increasingly central to our profession.**

Professionals must use available tools to initiate discussion and help navigate situations where:

- competing values are present
- trade-offs are necessary
- values require prioritisation
- need for rationale behind decision-making for future reference and accountability.

As technology evolves – including the integration of AI into accounting practices – we must ensure our fundamental principles remain central to our professional judgement in decision making around the use of AI.

At the outset, reasoned and evidence-based conversations across professions and with wider stakeholders are essential to determine what is 'the right thing to do'. This reflects the profession's evolving role as trusted validator and steward – acting in the public interest and sustaining market trust.

Useful information

ACCA provide key resources to support professionals in developing and maintaining their understanding of AI ethics, including:

- *Ethics and governance* (learning module)
- *ACCA CISI Certificate in ethical AI*
- *Building the foundations for trusted AI*
- AI Monitor series: *Ethics for sustainable AI adoption*.

CISI also offers a range of learning resources on ethical AI usage for its members, including:

- *ESG and DIODE: Assessing Ethical Issues in New Technologies* (AI modules)

CISITV programmes:

- Ethical Considerations when Investing in AI
- Responsible AI in Finance
- AI Governance and Risk Management

5. What are the opportunities for finance professionals?

Finance professionals are no longer confined to traditional roles; they are at the forefront of digital transformation – driving the adoption and governance of new technologies across organisations.

AI adoption needs to show understanding of the potential implications for ethics and trust. As outlined in ACCA's AI Monitor series, trust is not just a technical issue but a social one – grounded in transparency, oversight and personal responsibility. Professionals are well-positioned to lead responsible AI adoption thanks to their ethical foundations, but this requires AI literacy.

Although AI implementation in finance teams is limited as of mid-2025 – investment and adoption are accelerating. Yet organisational policies and training on ethical AI lag – with only about a third of those using AI having support in place.

Building shared knowledge and collective responsibility will be essential to mitigate threats and uphold professional standards. As AI becomes embedded in workflows, professionals must balance efficiency with human oversight – ensuring transparency, accountability, and ethical integrity in an AI-driven future.

- **Ensuring AI delivers value to professionals and society**
  The integration of AI into accounting should strengthen professional capabilities while serving the public interest. Professionals play a pivotal role in ensuring that AI is applied in ways that uphold trust, transparency and societal benefit.

- **Leveraging unique judgement through ethical and technological fluency**
  Professionals who combine ethical principles with AI understanding are uniquely positioned to exercise sound judgement. This requires adherence to the five fundamental principles outlined in the IESBA Code, to emphasise the need for:

What is AI literacy?

AI literacy is the ability to understand AI's capabilities and limitations, evaluate outputs against professional standards, and recognise application-specific risks. It reinforces the importance of professional judgement, scepticism and critical thinking to avoid over-reliance on automated outputs.

‘Professionals who combine ethical principles with AI understanding are uniquely positioned to exercise sound judgment’

- Critical evaluation of AI-generated outputs
- Understanding of data provenance and algorithmic limitations
- Ongoing professional development in digital competencies.

Promoting transparency and accountability in AI use

Trustworthy AI systems must be explainable, auditable, and fair – finance professionals can drive this by:

- clearly documenting AI decision-making processes
- regularly auditing AI tools for bias and accuracy
- defining accountability structures for AI-related outcomes, helping support not undermine ethical decision-making.

Existing guidelines and frameworks

Several global frameworks provide guidance on responsible AI use (see Appendix 1). Together, these frameworks help professionals navigate the complexities of AI, ensuring we uphold our core values of integrity, objectivity and professional competence while embracing technological innovation.

Global frameworks that support responsible AI adoption, include, for example:

- **ISO / IEC** standards 42001, 38507 and 23894, for example, provide voluntary, consensus-based international standards around AI managements systems, governance implications, and risk management.
- The **IESBA** updated its Code of Ethics in 2023 to incorporate provisions on the responsible use of technology, including AI – emphasising principles such as transparency, accountability and professional judgment.
- **The OECD Principles on Artificial Intelligence** are relevant guidelines that stress how adhering to principles is vital to maintaining public trust in financial practices.
- The **IEEE Global Initiative on Ethics of Autonomous and Intelligent Systems** and the **Partnership on AI** both provide broader ethical frameworks – underscoring the importance of mitigating bias, ensuring data integrity, and upholding ethical governance.
- National frameworks that may also be relevant for members include the UK’s **Centre for Data Ethics and Innovation (CDEI)** and the **NIST AI Risk Management Framework** – offering practical approaches for risk management and governance.
- In June 2025, the UK **FRC** published guidance on documenting AI use in audit – aligning it with existing expectations in relation to AI tools. It’s consistent with traditional technology guidelines but also reflects unique characteristics of AI models.

AI assessment

To build confidence, many business leaders, policymakers and other stakeholders are using/ considering AI assessment – often referred to as ‘AI audits’ or ‘AI assurance’.

As adoption grows, these assessments test whether AI systems are safe, reliable and effective – as highlighted in our latest report *AI assessments: Enhancing confidence in the use of AI* highlights.

Fostering collaboration across stakeholders

This helps align regulatory frameworks with real-world practice, reduces policy fragmentation, and supports the development of interoperable, ethical AI systems.

To ensure AI is governed effectively, ongoing dialogue is essential between:

- Finance professionals
- Policy makers and regulators
- Technology developers.

Further reading

Explore ACCA’s:

AI Monitor: How is AI reshaping finance and accounting work

Smart alliance: Leading the future of technology in accounting

AI assessments: Enhancing confidence in the use of AI highlights

6. AI dilemmas: ACCA and CISI members reflect on three scenarios.

6.1 Methodology

To explore the ethical challenges that professionals may face in their day-to-day work, we developed three hypothetical scenarios in the use of AI. These were designed to simulate real-world situations before being discussed in a series of six roundtables held across Asia-Pacific, Africa, the UK, and South Asia.

Participants examined each scenario[1] from an ethical perspective – identifying ethical threats, themes cutting across cases, and mitigating actions that leaders may need to consider.

These hypothetical themes are illustrative rather than exhaustive – they do not designate a particular approach to ethical dilemmas. The purpose of this exercise is to demonstrate that AI ethical dilemmas already exist in our work context and potential mitigations.

While the roundtables focused on the ethical dilemmas inherent in the scenario, they did not extend their scope to include considerations of other standards or regulation – eg audit evidence, professional standards, corporate governance, or legal implications.

The discussions reflect adherence to both IESBA's fundamental principles and CISI's Code of Conduct. These frameworks help professionals assess ethical dilemmas, threats to ethical principles, and mitigations. Throughout the roundtables, a key theme emerged: while ethical codes and policies may vary in form across professions and organisations, their shared purpose remains clear – to promote and uphold ethical behaviour.

For ACCA members, the IESBA Code remains the primary compass in navigating these dilemmas through consistent adherence to our fundamental principles.

Figure 1 represents some primary considerations drawn from roundtable discussions, which are widely reflected in existing ethical / responsible AI frameworks, or supported in international standards and regulations (see Appendix II).

Figure 1: Some of the key ethical threats to our fundamental principles raised during roundtable discussions

Useful links

IESBA **ACCA members use the IESBA Code**

CISI **CISI members use their Code of Conduct**

[1] See appendix I: Ethical Scenarios for a full write-up of each scenario discussed by participants. The ethical issues contained within the simulations are based on real-world insights. However, any names, characters, businesses, places, events or incidents are wholly fictitious. Any resemblance to actual persons, living or dead, or actual scenarios is purely coincidental.

The purpose of these scenarios is to indicate the types of dilemmas that accountants and on-accountants may face. While the scenarios are not intended to be exhaustive, they have been written to address a breadth of issues and considerations. As with most dilemmas, there will be no perfectly correct answer: indeed the scenarios may lead to many different ethically acceptable decisions. Therefore, we encourage repeated consideration of the scenarios by individuals or, better still, approaching them as teamwork – there will be a range of responses, which should be explored. Actively engaging with the scenario may lead you to refine the checklist of questions in Chapter 7, in turn encouraging greater vigilance to future dilemmas.

6.2 Scenario one at a glance – Audit automation[3]

An auditor uses AI tools to accelerate procedures but bills the client as if the work were manual and fully time-based. AI use is not disclosed to engagement leadership or the client, and documentation is insufficient for replication by an independent reviewer.

What participants saw as the core ethical dilemmas which may create a threat to our fundamental principles:

- **Hidden automation and billing integrity:** Lack of disclosure potentially risks breaching integrity. Participants debated how efficiency gains should be fairly represented in billing.

'Looking forwards, billing practices will probably reflect the amount of intellectual property in the AI project and auditing it; you could find billing is the same as before or even more because you have to audit the AI machine – but you have to be transparent to the end client.'

Speaker 7, Hong Kong roundtable

- **Audit quality and documentation:** Without adequate evidence of how the tool was applied, an independent reviewer may be unable to reach the same conclusion – compromising quality assurance and potentially breaching auditing and ethical standards.
- **Contract and regulatory risk:** Using unapproved tools or deviating from promised procedures without disclosure creates legal and regulatory exposure.
- **Culture and policy:** Absent guidance can drive AI use underground – participants expressed a need for enablement with clear guardrails, not blanket bans.

'Secrecy comes with fear and culture. The opportunity that AI presents with the right leadership is so transformative – which is why it's so important for organisations to embrace this strategically rather than just 'see what happens.'

Speaker 2, UK Roundtable

Fundamental principles

- **Integrity:** Disclose AI use and charge clients transparently – develop a methodology that supports both use of the tool, and appropriate controls over its application.
- **Professional competence and due care:** Validate tools and document their design so that it is appropriately explainable, maintains replicable documentation, and enables independent review.
- **Confidentiality:** Safeguard client data and avoid using unapproved or public AI tools without authorisation. Get appropriate permission from whose data is being used by the AI tool, ensuring any data processing meets legal and regulatory requirements.

- **Professional behaviour:** Escalate concerns, correct records where needed, and comply with standards.

How participants discussed mitigating the threats

- Disclose AI use internally and, where relevant, to clients – especially if it alters the scope or nature of procedures.

'Transparency and accountability matter, you have to accurately represent the nature of the work and the effort.'

Speaker 3, Africa roundtable

- **Maintain workpapers** with sufficient detail – showing prompts, datasets, parameters, outputs, and the human judgements applied.

'Use whichever tool you want, but it must be documented so an independent reviewer can reach the same conclusion.'

Speaker 6, Africa roundtable

- **Implement tool validation** before client use (eg parallel runs, user acceptance testing) and define an owner/validator function.

'Recognising and encouraging positive usage does come with the importance of not driving AI use underground... the additional point is having those guardrails so that people can go faster, and also educating people to be critical thinkers.'

Speaker 3, APAC roundtable

- **Establish a clear AI policy** covering approved tools, data boundaries, documentation, and audit for unsanctioned use to learn and standardise.

'Time and materials gets thrown up in the air. Shift to value-based pricing that accounts for human oversight and AI assurance.'

Speaker 3, UK Roundtable

[3] This scenario is not prescriptive or exhaustive, and firms using AI need to assess the appropriate audit and accounting requirements against which firms will be assessed including the IESBA Code, ISQM 1 and international auditing and accounting standards.

6.3 Scenario two *at a glance* –Algorithmic appraisals in HR

An AI enabled appraisal tool issues ratings that significantly affect employee bonuses – raising concerns over bias and opacity. The organisation must decide whether to pause, continue, or modify deployment while addressing concerns.

What participants saw as the core ethical dilemmas which may create threats to our fundamental principles

- **Black box ratings and explainability:** Opaque models undermine trust and contestability if employees cannot understand or challenge their ratings.
- **Fairness trade offs:** Over-weighting quantitative signals (eg activity metrics) may disadvantage certain roles; qualitative judgement needs to act as a balance, especially for less commercially focused roles. Overweighting certain metrics can unwittingly create perverse incentives and damage organisational culture.
- **Change management:** Launching without stakeholder testing and transparent communications damages morale and retention – particularly among top performers.
- **Model governance:** Clear ownership, validation, thresholds, drift monitoring, and re validation are necessary.

'Model governance is an important issue that needs to be looked upon in this case.'
Speaker 7, APAC roundtable

Fundamental principles

- **Objectivity:** Guard against bias and allow contestability and calibration.
- **Professional competence and due care:** Test tools before going live (parallel runs), ensure explainability, and monitor impact.
- **Integrity:** Communicate methodology transparently and rectify both negative and positive misallocations.
- **Professional behaviour:** Retain human oversight, treating AI as decision support than a decision maker.

How participants discussed mitigating the threats

'A system that is biased in automated decisions is not just unethical – it might be illegal.'
Speaker 6, Africa roundtable

- Temporarily suspend the influence of the model on pay while running parallel evaluations and impact tests.

'You test before rolling out or you destroy trust.'
Speaker 7, Africa roundtable

- Publish the weighting schema (by role where relevant), offer appeals, and run calibration panels.

'What's happened here is it's done a lot of damage; management could have done better planning.'
Speaker 5, UK roundtable

- Balance quantitative indicators with qualitative judgement and role context (eg sales vs back office).

'Treat AI as a smart helper, not a decision maker. Get it to make recommended bonuses and reveal its reasoning, then line managers oversee the final process and we calibrate organisation-wide. Ethical AI principles should be applied at design – promoting accountability, contestability, human-centred values, and fairness.'
Speaker 3, APAC roundtable

- If timing shifts, consider interim payments to mitigate financial stress while testing is completed.

'Communicate to everyone, not just those who complained. Others will be worried in silence.'
Speaker 6, Hong Kong roundtable

Adjudicating fairness is not always simple

The use of AI in performance appraisal highlights an important challenge: assessing fairness often involves competing objectives. Recognising this complexity is essential in upholding IESBA's principles, and CISI's conflict of interest principle within its Code of Conduct.

For example, AI designed to replicate past decisions for historical consistency may perpetuate existing biases. Conversely, an AI system designed to mitigate these biases may not align with traditional performance metrics, introduce alternative biases, and could create trade-off between different conceptions of fairness.

In terms of IESBA's principles, to exercise objectivity we need to be aware of which type of fairness is being prioritised, and how that choice influences the outcome. This ensures that a biased result is not inadvertently presented as neutral.

Upholding professional competence and due care also requires professionals to identify and communicate trade-off to ensure the AI tool is fit-for-purpose.

The role of the finance professional is not to choose which fairness metric is 'right', but to provide the ethical insight to ensure leadership understands the implications of their choices.

6.4 Scenario three at a glance – Data sharing for tax advice

A tax advisory system shares client financial data with a third party vendor to derive insights. Consent and purpose limitation are unclear – anonymisation has been applied, but re identification risk is non trivial. The organisation must decide whether to disable sharing, disclose to clients, and/or commission an independent privacy assessment.

What participants saw as the core ethical dilemmas which may create threats to our fundamental principles

- **Purpose limitation and consent:** Collecting data for one purpose does not automatically permit third party pattern analysis for another.
- **Re identification risk:** Even anonymous datasets can still reveal identities when linked to other data.
- **Third party risk management (TPRM):** Due diligence, contractual controls (deletion SLAs, logging, data residency), and auditable traces are essential.
- **Incident handling:** Disable unauthorised sharing, assess exposure, notify clients, and consider self disclosure to authorities where appropriate.

Fundamental principles

- **Confidentiality:** Protect client privacy through minimisation and appropriate safeguards.
- **Integrity:** Inform clients promptly and plainly – urgency does not justify opacity.
- **Professional behaviour and due care:** Comply with data protection laws, maintain a risk register, and commission independent privacy and security assessments.

How participants discussed mitigating the threats

'It's not hard to reverse engineer who people are from financial patterns.'

Speaker 4, UK roundtable

- Explore the need to immediately halt any unconsented sharing, verify deletion if deemed necessary, and evaluate re identification risk.

'Anonymisation does not equal confidentiality.'

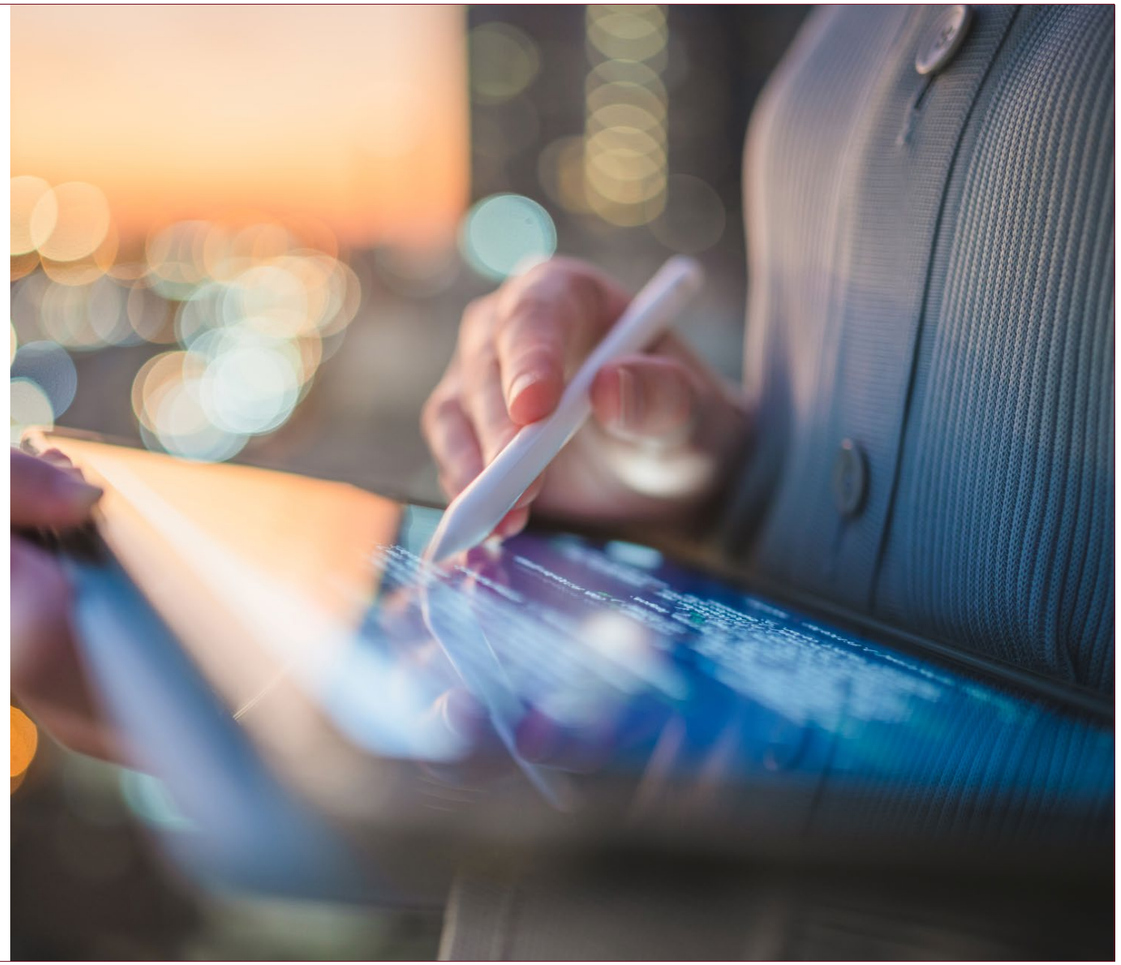
Speaker 5, Africa roundtable

- Communicate clearly with clients, update privacy notices and engagement letters, and refresh consents with appropriate specificity.

'Client trust is paramount – do the right thing by clients and everything else follows.'

Speaker 6, UK roundtable

- Institute vendor due diligence, audit rights, deletion SLAs, logging, data residency controls, and re identification testing.
- Where appropriate, employ privacy enhancing technologies that enable utility without exposing raw data.



7. Insights from the roundtables: Addressing ethical challenges in the age of AI.

The roundtable discussions surfaced broad themes reflecting the multifaceted nature of ethical decision-making in an AI-driven environment. These insights cluster around three distinct yet interconnected areas:

- Guidance for individuals – a practical checklist of considerations.
- Organisational responsibilities – centred on governance, culture and leadership.
- Considerations for policymakers – focused on frameworks and regulatory clarity.

Together, these themes encourage informed reflection and responsible action from the profession and wider society.

7.1 For individuals: Identifying ethical dilemmas when using AI

This non-exhaustive checklist is designed to help professionals resolve unique ethical dilemmas in AI-enabled environments. These often involve conflicts between professional responsibilities, competing stakeholder interests, or uncertainty about obligations. They require the professional to adhere to the fundamental principles in reaching their overall judgement.

An ethical dilemma around AI may have unique characteristics. For example, the 'black box' nature of many models and their capacity to learn autonomously heighten the need for the need for real-time judgement, which may evolve as the tool changes.

Clear documentation – covering how fundamental principles are considered and applied, how the tool meets ethical standards, the governance in place, and how explainability is assured – supports effective resolution of ethical dilemmas when using AI.

Governance and organisational ethics

- Does leadership foster a culture that supports ethical decision-making in the face of technological and societal risk?
- Is the organisation's code of ethics fit for emerging risks such as data use, digital transformation, or environmental disruption?
- How are AI-related ethical risks – AI impact, AI processing and AI deployment – continually monitored and integrated into governance?

Integrity

- Am I confident the data/insights I present having used AI are accurate, balanced, and relevant?
- Can I explain how AI reached its conclusion – and that it is ethical?
- How do I weigh competing priorities when multiple stakeholders have different expectations or values?
- Would I be comfortable if my ethical decisions or actions were made public?
- What are the longer-term implications – positive or negative – of the information shared and decisions made.

Objectivity

- Would I recommend the same course of action if I were not directly involved?
- Are there threats to objectivity – conflicts of interest, familiarity bias, or undue pressure?
- Is there a risk of promoting a certain practice or outcome due to bias inherent in the AI tool rather than evidence?
- How do I ensure I critically assess AI outputs rather than accepting them at face value?

'Finance professionals should be experienced in asking questions to identify AI ethical challenges.'

Professional competence and due care

- Have I identified the key ethical, regulatory, or technical issues at play in this scenario?
- Do I fully understand the relevant standards or frameworks for data reporting, AI governance, assurance, or AI ethics?
- Do I have sufficient AI literacy to explain how the technology works, or do I have to access experts?
- What connections exist between potentially sensitive information used by AI and financial reporting?
- Are there external forces – new technologies or geopolitical events – that could influence ethical risk?
- Am I sufficiently trained to assess complexity, or do I need further input?
- Where does my duty of care in this situation begin and end?
- Can I explain how I fulfilled my ethical obligations around AI output, if challenged?

Confidentiality

- What is the appropriate balance between discretion and transparency when dealing with external stakeholders?
- Could silence or oversharing compromise my responsibilities?

Professional Behaviour

- Are there risks of inclusion or discrimination issues in the AI tool or data I need to be aware of?
- How can I document that my conduct and use of AI encourages ethical behaviour in colleagues who may not be bound by the same code?
- How can I model professional conduct when using AI in a way that encourages ethical behaviour in colleagues who may not be bound by the same code?

7.2 For organisations: Governance, culture and leadership

The benefits of new technology often receive disproportionate attention – reinforcing a perception that ethics impedes innovation. This is because ethical discussions are often dominated by retrospection over issues not captured in the initial discourse. On the contrary, in practice – embedding ethics into innovation mitigates risk, enhances constructive debate, and can highlight new opportunities.

Ethical leadership requires acknowledging both the positive and negative aspects of technological development. This includes recognising where technology aligns with organisational values – eg improving reproducibility or accessibility – while addressing challenges as opportunities for organisational improvement.

AI is neither a monolith nor static. Organisations therefore need to focus on continual improvement of AI governance – supported by leadership that creates a culture of ethical awareness and responsible adoption.

7.21 Governance and culture's adherence to ethical principles go hand-in-hand

'You can only really assess ethics in context – specifically through organisational culture, governance, training, policies and the wider regulatory landscape beyond that.'

Speaker 2, Hong Kong roundtable

Adherence to ethical principles and AI governance are deeply interconnected exercises. Managing ethical risk posed by AI is contingent upon a robust AI governance framework. Ethical principles provide the ultimate purpose and direction, while governance provides the essential mechanisms and guardrails to achieve those goals.

Organisations can draw on international standards (eg ISO 42001) and regulations (eg EU AI Act) to initiate action. Although just a starting point, illustrative questions for organisations when integrating AI into their governance and culture include:

Strategy and culture

- Have we defined our core values for AI, and are they aligned with broader organisational culture and societal values?
- Is AI governance seen as a collective responsibility, or it is siloed?
- Do we have a multi-level governance structure in place – with clear lines of authority from operational teams to executive leadership?

Operationalising core principles

- Do we have documented procedures for auditing training data for biases before it is used?
- Are our decision-making processes understandable and auditable by non-technical stakeholders?

Useful information

ISO42001 is a global standard to guide operationalisation of AI governance

ISO42001 is the first international standard specifically designed for Artificial Intelligence Management Systems (AIMS). It provides a structured and universally applicable framework for organisations to establish, implement, maintain, and continuously improve their AI governance efforts.

The standard helps move AI governance from a theoretical concept to a practical, verifiable process through setting clear requirements that can help operationalise ethical principles:

1) When it comes to adhering to ethical principles, the standard provides clear guidelines for incorporating safety and security throughout the AI lifecycle – eg the use of diverse and representative datasets to combat bias. It also provides a roadmap for ensuring that AI systems are deployed with a strong emphasis on ethics and security.

2) The standard requires that organisations enforce transparency, traceability, and accountability at every stage of the AI lifecycle. This includes documenting decision-making processes, maintaining logs of model versions and data lineage, and ensuring that AI-driven outcomes can be traced back to an accountable, trained individual.

3) Accountability is also promoted through 'human-in-the-loop' to make sure that a person is always responsible for monitoring AI systems, and can intervene as and when necessary.

4) A core principle of the standard is to provide a systematic approach to identifying and mitigating risks throughout the AI lifecycle – from data security to algorithmic bias.

ISO42001 compliance can, therefore, provide a valuable clarifying context in which to adhere to and protect our commitment to ethical outcomes.

- Is there a clear framework for defining responsibility for the outcomes of AI systems used?
- For high-stakes decisions, are we ensuring that humans can always override AI?
- Do we have mechanisms to fulfil data protection regulations in our use of AI?

Data and model lifecycle

- Is our data governance framework robust and fully integrated with our AI governance and strategy?
- Do we continuously monitor AI systems for drift or unexpected behaviour?
- Can we track data lineage from source when AI is used in data generation and/or analysis?
- Are we building systems that are explainable by design for critical uses?

External alignment and standards

- Are we leveraging internationally recognised standards, such as ISO42001?
- Do we have a strategy for aligning with evolving global regulations (eg EU AI Act)?
- Are our efforts designed to build and protect public trust?

'Good governance isn't a brake to innovation – it lets you go faster... your car can go faster when you know it's got brakes.'

Speaker 3, APAC roundtable

7.22 Leadership can create enabling conditions

'What we're describing here is a failure of leadership... the organisation hasn't given its people clarity.'

Speaker 3, APAC roundtable

As organisations embrace AI and emerging technologies, leadership plays a pivotal role in shaping an ethical culture. Leaders must set expectations, build trust, and create systems that safeguard integrity while enabling progress.

The following questions derived from our roundtable discussions reflect limited considerations – but they may help leadership teams assess practices, policies and communications to support the responsible and transparent use of AI:

Transparency and disclosure

- How do we set the tone for transparency in our leadership practices?
- Is disclosure of AI use a cultural norm, both internally and with clients?
- Are professionals confident they don't need to 'hide' efficiency gains from AI?
- How do we prevent hidden AI use from becoming an ethical fault line?

Productivity and value

- How do we communicate that productivity gains must not override quality of work?
- Do professionals understand that AI should inform, not replace, judgement?

Trust and communication

- How do we protect trust through proactive communication with employees and clients?
- Are issues addressed openly rather than with silence or narrow responses?
- Do we recognise that rushed automation can undermine trust?

Capability building

- Are we investing in AI literacy, testing disciplines, and documentation skills?
- Do staff – including senior leadership – have sufficient AI literacy to understand the tools they use? What training is provided for new staff?
- How do we ensure professionals can safely magnify their amplify with AI tools?

Evolving data uses

- How do we systematically identify, assess and communicate new or secondary uses of data – so that changes are justified, consented to, documented and reversible?
- Are we managing consent, purpose limitation and re-identification risks beyond anonymisation?
- How do we ensure confidentiality obligations are met when anonymised data can be reverse engineered?

7.3 Considerations for policy makers

Regulatory bodies and standard setters in the accounting profession – including IESBA, IAASB and IFAC – are proactively tackling the ethical implications and opportunities presented by AI, and other emerging technologies.

The IESBA has updated its Code to incorporate technology-specific guidance, enhancing standards around confidentiality, professional competence and due care, and independence in the context of tech-enabled services.

These revisions took effect in December 2024. To support implementation, IFAC and IESBA have released practical tools and scenario-based guidance to help accountants adhere to the Code's core principles when working with AI.

In September 2024, the IAASB also introduced a new Technology Position that acknowledges how tech trends and developments influence the ethical mindset and behaviour of practitioners.

While technology brings considerable advantages, these initiatives underscore the associated risks – such as bias, excessive reliance on AI, data privacy concerns, and potential threats to independence.

Ultimately, the message is clear: **as technology transforms the profession, accountants must continue to act responsibly, exercise sound judgment, and serve the public interest**.

The following questions derived from our global rountable discussions may be of interest to policymakers:

- How can AI regulations remain principles-based yet operationally clear?
- What mechanisms will allow adaptive updates as technology evolves?
- How do we balance speed of regulatory clarity with stakeholder consultation?

Empower the accountancy profession as ethical guardians

- What roles can finance professionals play in AI assurance and governance?
- How can ethical training strengthen trust in AI systems?

Strengthen guidance and support for SMEs

- What sector-specific guidance is most urgently needed for SMEs adopting AI?
- How can compliance frameworks be scaled proportionately to SME resources?
- Should regulators provide template policies, risk registers, and cybersecurity toolkits for SMEs?
- Mandate workforce AI training and skills development
- How can governments and professional bodies fund or incentivise reskilling?
- What minimum competencies should every finance professional demonstrate?

Promote international regulatory alignment

- Which global frameworks (eg OECD AI Principles) should serve as a baseline?
- How can regulators harmonise definitions of fairness, accountability, and explainability?
- What mechanisms for mutual recognition of AI assurance standards are feasible?

Integrate cybersecurity into AI governance

- Should cybersecurity audits be mandatory for AI systems handling sensitive data?
- How can regulators encourage continuous risk monitoring rather than one-off checks?
- What incident reporting obligations should apply to AI-related breaches?

Expand the finance professional's role in policy dialogue

- How can regulators institutionalise finance professionals' input in AI policymaking?
- Should formal advisory panels combine technical, ethical and financial expertise?
- What conflict of interest safeguards are needed for policy advisors?

Embed ethical AI skills and build AI literacy

- How can ethical reasoning be embedded into AI training for finance professionals?
- Should regulators require evidence of ethical impact assessments before AI deployment?
- How can AI learning and development be further aligned with the relevant professional codes, to strengthen the focus on potential ethical threats of AI use?
- Is there appropriate and up to date AI literacy training available?

Encourage multi-stakeholder collaboration

- What governance structures best support inclusive, multi-sector dialogue when considering AI?
- How do we ensure underrepresented voices (eg SMEs, emerging markets) are heard?
- How can public trust be measured and maintained through these processes?

Foster an ecosystem for trustworthy AI

- What shared platforms or knowledge hubs can regulators create for AI ethics resources?
- How can professional bodies collaborate internationally to share best practices?
- Should public registries of certified AI systems be established to enhance transparency?
- How do we incentivise organisations to adopt voluntary ethical standards beyond compliance?
- How can explainability be embedded as an essential design feature of AI systems?

8. Conclusion.

The ethics of AI is no longer a peripheral concern – it is a core business challenge reshaping the future of finance.

Our research underscores ACCA and CISI's enduring commitment to equipping members with both technical proficiency and the ethical acumen needed to navigate increasingly complex digital environments.

Proactively embedding our fundamental ethical principles into AI adoption enables professionals to unlock value, build trust and lead responsibly.

In this report, we:

- examined the IESBA fundamental principles in the context of AI
- identified key ethical threats such as bias, discrimination and fairness
- outlined the competencies required to address them.

AI literacy, combined with strong ethical judgement, empowers professionals to assess risks and apply consistent, principled decision-making.

Importantly, AI brings risks but opportunities. Professionals are uniquely positioned to champion ethical innovation, ensuring AI is applied in ways that enhance integrity, transparency and societal benefit.

To ground this inquiry in real-world complexity, we developed three cross-disciplinary dilemmas and convened global roundtables. The insights that emerged centred around three interconnected domains, – **individual responsibility, organisational governance, and policy leadership** – each critical to shaping an ethical AI future.

As this journey continues, ACCA and CISI remain committed to fostering informed, ethical leadership in the age of intelligent technology.

9. Scope.

This report reflects ACCA and CISI's commitment to the public interest, which underpins our engagement with regulators, standard setters, business leaders and the wider profession.

The scope of the report is limited to examining potential ethical threats that may arise when using AI that may face when using AI, and the conclusions from our roundtable discussions. It is a snapshot of current AI adoption and is not exhaustive – nor intended to provide legal advice or detailed professional guidance on specific ethical dilemmas.

It was beyond our scope to delve into related areas such as the ethics of AI developers or the technical design of AI systems, which are alternative and distinct areas of research[4].

The field of AI ethics is broad and evolving, extending beyond the scope of this exercise, encompassing alternative critical issues such as environmental sustainability, algorithmic accountability, social and labour impacts, and more.[6]

**Throughout, the term professionals is used to encompass finance professionals, accountants, and financial services practitioners.*

[4] When it comes to AI risk, see ACCA's Risk and Responsibility report for a more thorough discussion.

[6] See for example, Floridi L, Cowls J, Beltrametti M, Chatila R, Chazerand P, Dignum V, Luetge C, Madelin R, Pagallo U, Rossi F, Schafer B, Valcke P, Vayena E. AI4People-An Ethical Framework for a Good AI Society: Opportunities, Risks, Principles, and Recommendations. (2018). Minds Mach (Dordr), 28(4):689-707. Asilomar AI Principles. (2017). Principles developed in conjunction with the 2017 Asilomar conference [Benevolent AI 2017]. Retrieved September 18, 2025 from https://futureoflife.org/ai-principles. Bryson, Joanna. (2019). "The Past Decade and Future of Ai's Impact on Society", in Towards a New Enlightenment: A Transcendent Decade, Madrid: Turner - BVVA.

ACCA will continue to advocate for responsible and ethical innovation.

As a global professional accountancy body with a vibrant community of more than a quarter of a million members across 180 countries, we at the ACCA believe the accountancy profession must act as a force for good, upholding integrity and accountability while navigating the ethical implications of automation, data privacy, bias, and decision-making transparency. Our global policy priorities reflect the urgent need for clear governance frameworks and adherence to ethical standards to guide the responsible use of AI in finance.

BRIDGE THE ACCOUNTANCY SKILLS GAP

Build accountancy capacity so that businesses, the public sector and economies have access to skills and expertise to thrive.

Call to action for policy makers:

- Widen access to the accountancy profession through inclusive educational, vocational and workplace policies that allow anyone to develop the accountancy skills needed.
- Develop and grow the accountancy profession across all sectors, championing sustainability and technology skills to ensure the profession meets market needs.

DRIVE SUSTAINABLE BUSINESS

Drive policies, regulations and standards that deliver prosperous, ethical, sustainable organisations and economies.

Call to action to policy makers;

- Drive the adoption of policies and regulations related to sustainable practices and ethical decision-making which reinforce corporate responsibility and enable the transition to net zero while fostering diverse and inclusive workforces.
- Drive the adoption of international standards which draw on global best practice, enable harmonisation across jurisdictions, facilitate international trade and maintain accountability and trust.

CHAMPION THE PROFESSIONAL ACCOUNTANT

Champion a refreshed understanding of the vital contribution of professional accountants in a changed world.

Call to action to policy makers

- Champion and draw on the insights of professional accountants to influence policy linked to audit, tax, public sector reform and easing the SME regulatory burden, as well as sustainability and technology risks and opportunities.
- Champion the role of professional accountants in creating and delivering value in the public interest – from entrepreneurship to organisations of all sizes and sectors – through their ethical, sustainable and innovative contribution to business and society.

Authors.

Alistair Brisbourne
Head of Technology Research

As Head of Technology Research within ACCA's Policy and Insights team, Alistair leads on research and policy that supports ACCA's global technology and skills agenda. He is currently exploring opportunities for and the implications of AI adoption – and what this means for the future of finance. He is secretariat for ACCA's Global Forum for Technology, a member of ACCA's AI Steering Group, and sits on several advisory committees related to technology adoption.

Alistair joined ACCA from BDO LLP where he managed the Research and Commercial Insights team. He holds an MSc from University College Dublin and a Doctorate from Royal Holloway, University of London. Alistair worked as a Lecturer at the University of London prior to moving into professional services.

Sarah Lane
Head of Ethics and Assurance

As Head of Ethics and Assurance within ACCA's Policy and Insights team, Sarah represents ACCA globally in ethics across different countries and industries, including ACCA's Global Ethics Forum. She leads ACCA's policy on ethics and assurance matters, contributing to Policy and Insights thought leadership publications and responses to consultations in relation to ethics and assurance. In this work, Sarah takes a holistic view on how our fundamental principles underpin ethics for professional accountants – reflecting the profession's recognition of its public interest responsibility.

Before joining ACCA, Sarah worked in risk and compliance across various industries. She a degree in Business Studies and, prior to joining ACCA, began her career in auditing and accounting, including KPMG Dublin – specialising in auditing clients, mainly within the financial services industry before consulting for Mazars. Sarah has also worked with Chartered Accountants Ireland on a technical basis and is a Fellow of CAI.

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David Royle, Tanhill.ai
Kim Uzzell, The Financial Wellbeing Academy
Simon Young, Fulcrum Fintech
Kelly Chan, Independent Non-Executive Director
Jude Hilton, Apex Group
Rebecca Fox, Galaxy Group
Mathew Bate, Private Capital
Janice Carey, Independent Strategic Adviser Data and AI
Mark John, Abeleda London Stock Exchange Group
Vee Meng Lee, National AI Office Malaysia
Chari T.V. Thirumala, Board Member & Chairman of the Board Governance and Risk Committee
Tristan Lim Ming Soon, Singapore University of Social Sciences
Darshan Gunawardena, Deloitte
Nandika Buddhipala, Independent Non-Executive Director
Arjuna Nanayakkara, GTN Technologies
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Lim Fen Nee, ACCA Global Council Member

Appendix I: Ethical scenarios.

Ethical scenario 1:
Audit automation

Maya and Ethan are senior auditors at a prestigious accounting firm that prides itself on thorough, detail-oriented audit processes.

The firm has a demanding culture – with staff regularly working long hours during busy season to complete client engagements. For the past year, Maya and Ethan have been assigned to audit the financial statements of several large corporate clients in the technology sector.

The firm allows flexible working arrangements – with Maya primarily working remotely to care for her elderly parent, while Ethan occasionally visits the office. They're both respected professionals with solid performance reviews.

The dilemma

Unknown to his team, Ethan has developed a sophisticated AI-powered programme that automates many of the routine audit sampling procedures and tests of controls that would normally take days to complete manually. The programme can analyse vast quantities of financial data, identify anomalies, and generate detailed audit workpapers that appear indistinguishable from those created through traditional manual methods.

For six months, Ethan has been using this programme to complete his assigned audit tasks in a fraction of the time, while maintaining the appearance of putting in the same hours as his colleagues. This allows him to reduce his actual work to about 10 hours per week, while billing clients and receiving compensation for full-time work. The programme's output has passed all quality reviews, and no issues have been identified in his work.

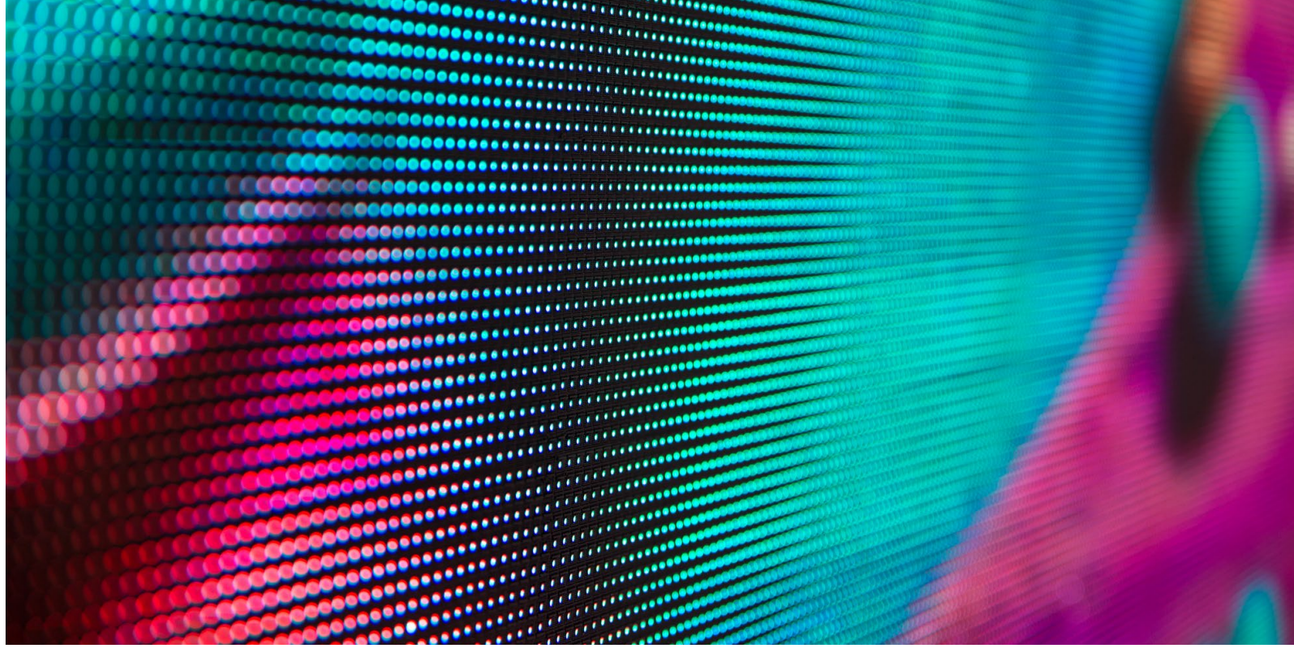
Ethan feels conflicted about his actions. He's proud of his innovation but worries that if the firm discovers his automation tool, they might:

1. Claim ownership of the programme
2. Use it to justify staff reductions
3. Question the legitimacy of past audits he's completed
4. Raise concerns about professional integrity and transparency.

The revelation

During an internal quality review, the firm's Professional Standards team selects one of Ethan and Maya's joint audit engagements for examination. The reviewers request a detailed walkthrough of their audit methodology and testing procedures.

'Ethan has developed a sophisticated AI-powered programme that automates many of the routine audit sampling procedures'



Maya, unaware of Ethan's automation, wants to prepare a standard presentation of their manual audit process. Concerned about the review, Ethan confides in their supervisor, Jordan, about his automated approach – assuring Jordan that he thoroughly reviews all outputs, and the quality has been consistently high.

Jordan is stunned by this revelation and must decide how to proceed, knowing that:

- The automation could violate professional standards requiring appropriate professional scepticism and judgement.
- It might breach client contracts that specify certain procedures be performed by qualified professionals.
- It could potentially expose the firm to regulatory scrutiny if discovered during external inspection.
- If properly disclosed and implemented, it might represent a valuable innovation for the firm.

Professional considerations

This dilemma touches on several key accounting ethics principles:

- Professional integrity and transparency
- Duty of care to clients and the public
- Proper supervision and review requirements
- Innovation versus established professional standards
- Professional scepticism in audit work.

Ethical scenario 2:
Algorithmic appraisals in HR

The HR department at a large investment firm has been upgrading their performance appraisal format. The process has been made more localised to various regional offices and moved entirely online. This modernisation effort was intended to streamline the review process and create more consistency across the global firm.

The situation

As the annual appraisal period begins, HR announces that to ensure ratings are as fair and objective as possible, a new software system called 'FinanceMetrics' will generate an additional performance rating for all employees. This automated rating will be based on quantifiable metrics inputted into the system, including:

- Size of client portfolios managed
- Client retention rates
- Portfolio performance metrics
- Revenue generation
- Response times to client inquiries
- Compliance with documentation requirements.

HR explains that this new algorithmic rating will be incorporated into everyone's overall performance evaluation – significantly impacting year-end bonuses and compensation decisions.

The problem emerges

Alex, a senior portfolio manager who has consistently been a top performer for the past five years, is shocked to learn during their appraisal meeting that his overall rating has decreased significantly from the previous year. When Alex asks for an explanation, the manager can only point to the FinanceMetrics rating recommendation, which has substantially lowered Alex's overall score despite strong qualitative feedback.

Over the following week, as all appraisals are completed, widespread discontent and confusion spread throughout the firm. The ratings suggested by FinanceMetrics appear inconsistent and have negatively impacted bonuses for many previously high-performing employees, severely damaging staff morale. Some employees notice that colleagues with similar performance metrics received vastly different algorithmic ratings – raising questions about the system's reliability.

Several team leaders report the metrics appear to favour certain types of portfolios and client relationships while penalising others, regardless of the skill or effort required to manage them. For example, managers of established stable portfolios seem to receive higher ratings than those who successfully turned around struggling portfolios.

The dilemma

The senior management team is deeply concerned about organisation-wide dissatisfaction – without immediate investigation into FinanceMetrics, confusion and resentment will only increase. With bonus payment deadlines approaching rapidly, management faces a difficult decision.

'...as all appraisals are completed, widespread discontent and confusion spread throughout the firm.'

Professional considerations

This dilemma touches on several key ethical considerations for financial professionals:

- The balance between quantitative metrics and qualitative judgement in performance evaluation
- Transparency in compensation decisions
- The appropriate role of technology in professional assessment
- Fairness and consistency in employee evaluation
- Trust in management decision-making
- The potential impact on client relationships if key advisors leave due to compensation concerns.

Ethical scenario 3:
Data sharing for tax advice

Johnson & Thompson (J&T) is a mid-sized accounting firm specialising in tax preparation and advisory services for high-net-worth individuals and small businesses. The firm has recently invested in upgrading its digital infrastructure – implementing a new cloud-based client management system called 'TaxSecure' to improve efficiency and service delivery.

The situation

As part of the system implementation, J&T signed a contract with software provider DataCloud Solutions, which includes provisions for data storage, security, and limited data analysis to improve the software's functionality. The upgrade was driven by Marcus, the firm's progressive managing partner, who emphasised how the new system would allow professionals to access client files remotely and provide faster service.

During the tax season rush, Sarah, a senior tax finance professional, discovers that TaxSecure has been automatically analysing client financial data to identify patterns and generate potential tax-saving recommendations. The system categorises clients into financial brackets and suggests cross-selling opportunities based on similarities to other clients' financial profiles.

While reviewing the system's activity logs, Sarah notices that DataCloud Solutions receives anonymised client data – income levels, investment types, deduction categories, and tax strategies utilised. Although individual names and identifying information are removed, the detailed financial profiles of their wealthy clients could potentially be reconstructed through data analysis.

The problem Emerges

When Sarah brings her concerns to Marcus, he acknowledges that he was aware of the data sharing feature but considered it acceptable because:

1. The client names are anonymised.
2. The software agreement technically permits this data usage.
3. The insights gained improve their service offerings.
4. Competitors using similar systems gain advantages J&T can't afford to miss.

Sarah points out that when clients signed their engagement letters, the standard confidentiality clause stated that their information would be 'kept strictly confidential and used solely for the purpose of providing the agreed-upon services.' The engagement letters make no mention of anonymised data sharing with third-party vendors for system improvement or pattern analysis.

Further complicating matters, the firm has just received notification that the TaxSecure system has generated exceptional insights. These have led to a 15% average tax savings for clients at other accounting firms – and J&T's participation in the data sharing has been crucial to this success.

The dilemma

The partners of J&T must meet to decide how to address this situation. The tax deadline is only three weeks away, and disrupting the system now would create significant operational challenges. The dilemma centres on how to balance client confidentiality with operational efficiency and competitive advantage.

Professional considerations

This dilemma touches on several key ethical considerations for accounting professionals:

- Client confidentiality and the duty to protect sensitive financial information
- Informed consent requirements for client data usage
- The balance between technological advancement and ethical obligations
- Transparency in client communications
- The potential conflicts between business interests and professional responsibilities
- Interpretation of engagement letter terms and the spirit vs. letter of agreements
- Professional standards regarding third-party service providers.

Appendix II:
Existing global AI guidance and legislation

1. AI4People's Ethical Framework for a Good AI Society (2018)

- A European initiatve proposing ethical principles for AI to serve society.

2. The AI Ethics Guidelines by the High-Level Expert Group on AI (European Commission, 2019)

- Focus on trustworthy AI based on principles: fairness, accountability, transparency, privacy, and human oversight.

3. The Asilomar AI Principles (Future of Life Institute, 2017)

- Set of guidelines to ensure beneficial AI development aligned with human values.

4. China's Governance Principles for AI (2019)

- Emphasise controllability, fairness, transparency, and privacy in AI.

5. European Union AI Act

- Comprehensive regulatory framework for AI use in the EU
- Classifies AI systems by risk levels and sets requirements for high-risk AI applications.

6. FRC AI in Audit (2025)

7. G20 AI Principles (2019)

- Agreed upon by G20 countries based on OECD principles to promote human-centred AI.

8. IEEE Global Initiative on Ethics of Autonomous and Intelligent Systems

- Includes the IEEE Ethically Aligned Design document
- Provides detailed guidance for ethical design and deployment of AI and autonomous systems.

9. International Ethics Standards Board for Finance professionals (IESBA) Technology Provisions (2023 Update)

- Ethical guidelines for finance professionals on the use of technology, including AI.

10. ISO/IEC 2394 (2023)

- Guidance on how organisations that develop, produce, deploy or use products, systems and services that utilise artificial intelligence (AI) can manage risk specifically related to AI.

11. ISO/IEC 42001 (2023)

- International standard for establishing, implementing, maintaining, and improving an Artificial Intelligence Management System (AIMS).

12. The Montreal Declaration for Responsible AI (2018)

- Emphasises ethical AI development that respects autonomy, privacy, and social justice.

13. NIST AI Risk Management Framework (Draft released 2023)

- U.S. National Institute of Standards and Technology framework aimed at managing AI risks across organisations.

14. OECD AI Policy Observatory

- Platform sharing data, policies, and practices related to AI governance.

15. OECD Principles on Artificial Intelligence (2019)

- Developed by the Organisation for Economic Co-operation and Development (OECD)
- Focus on promoting AI that is innovative and trustworthy, respecting human rights and democratic values.

16. The Partnership on AI

- Multi-stakeholder organisation with principles and best practices for responsible AI development.

17. Singapore Model AI Governance Framework

- Practical framework for organisations to implement responsible AI governance.

18. UNESCO Recommendation on the Ethics of Artificial Intelligence (2021)

- Global standard promoting human rights, diversity, and ethical AI development.

19. UK AI Strategy and Centre for Data Ethics and Innovation (CDEI)

- Frameworks supporting trustworthy AI development and governance in the UK.

20. World Economic Forum (WEF) AI Principles

- Guidelines to promote inclusive, transparent and

ACCA
The Adelphi
1/11 John Adam Street
London WC2N 6AU
United Kingdom

020 7059 5000

accaglobal.com

THINK AHEAD