# Trust: Making the Difference

Chartered Accountants Worldwide

## Foundations and impacts of Chartered Accountants' trusted roles in society.

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# Chartered Accountants' Stance on Trust

From the very start of the profession, Chartered Accountants have recognised the importance of being seen to be focused on accuracy, quality, integrity, and the need to work in the public interest. Approaching two centuries later and those first Chartered Accountants might be surprised by the way business, technology and communications have changed but they would hopefully be pleased to find their modern colleagues still focused on being trustworthy. Chartered Accountants still believe in accuracy, quality, integrity, ethics, acting in the public interest and being worthy of trust.

Information demands and the concerns of governments, investors, business and society at large are evolving. As technology enables an influx of data and signals, trust and reliable information are at a premium. This includes financial information, and also increasingly a wider plethora of reporting on sustainability (including climate change), business models and beyond. With each added layer of complexity to financial and wider corporate reporting and business, trust in Chartered Accountants grows more important. But while the profession has worked hard to earn trust, it also must work hard to maintain it.

In a world where misinformation can be viral in seconds, Chartered Accountants play a coveted role as the "guardians of governance". Historically, that role has focused on ensuring the quality of financial reporting but increasingly in the public interest the scope will widen to ensure the quality of non-financial information, including sustainability-related information.

The purpose of this publication is to show all professional accountancy stakeholders the ways in which the profession works to build and maintain trust. Stakeholders include professional bodies, governments, regulators, investors, finance and business leaders and other users of the profession, including society, who rely on the work of the profession. This publication highlights the profession's commitment to ethics, its focus on education and training, the roles Chartered Accountants play in society and how the profession evolves as new business innovations, technology, reporting, and assurance needs arise.

As always, the Chartered Accountancy profession stands ready to act in the public interest and meet the evolving needs of society. We have worked hard to gain our trusted role in society and will endeavour by our deeds to maintain and develop further the level of trust that has been afforded to us, as evidenced in the "Evaluating trust in the accountancy sector" survey, in partnership with Edelman DXI. [1]

[1] The 4th Wave (June 2023) of the "Evaluating trust in the accountancy sector" survey, conducted in partnership with Edelman DXI

# Summary

Trust. It's a small word that means a lot. But it doesn't exist on its own. Trust must be built slowly, and it needs strong foundations to last. So how do Chartered Accountants build and maintain that foundation? The Chartered Accountancy profession is made up of the member professional bodies of Chartered Accountants Worldwide and the individual Chartered Accountants who are members of those bodies. From the earliest days of the profession, Chartered Accountants have recognised the importance of being trusted.

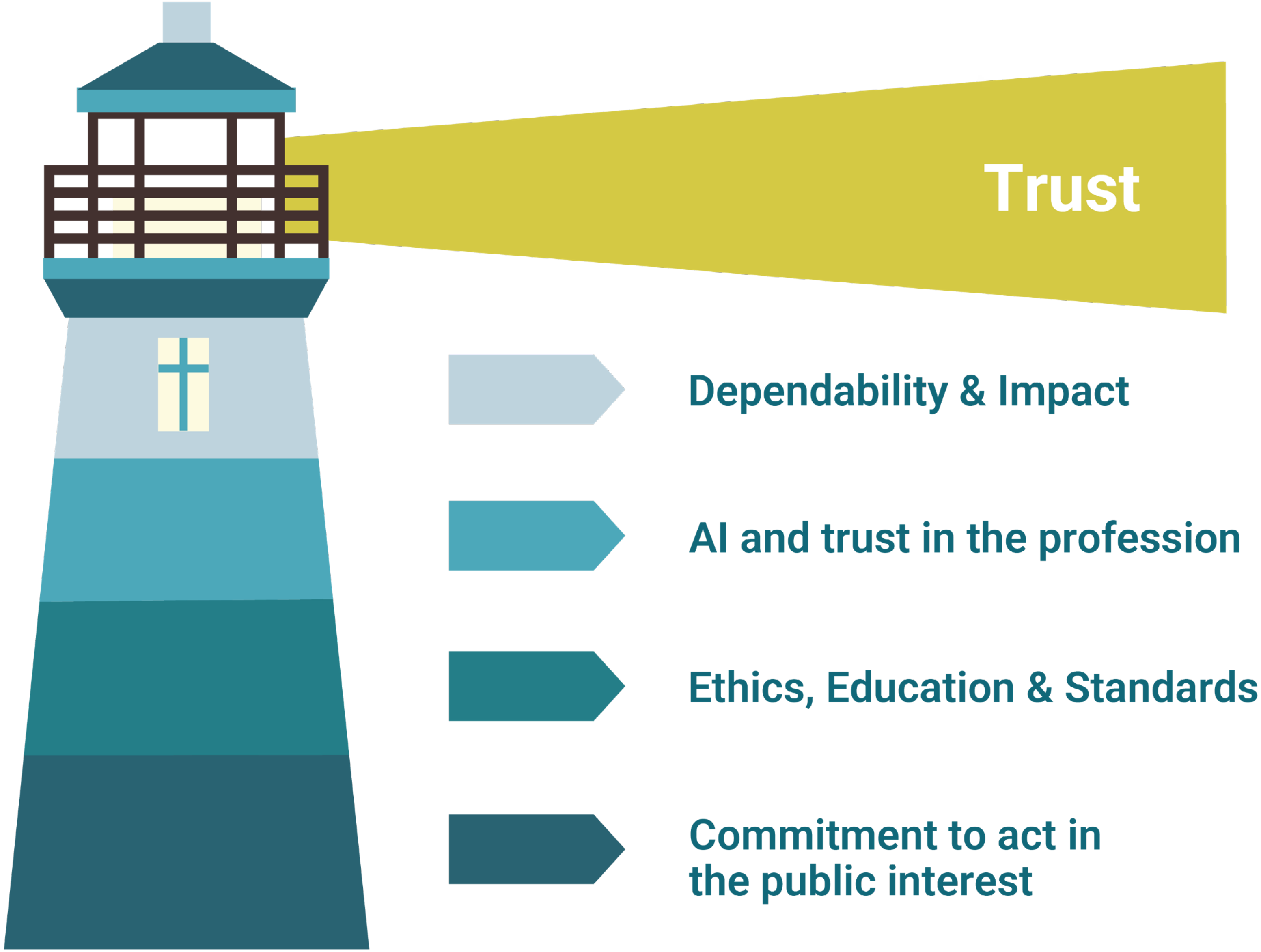
Central to this, is the obligation for each and every Chartered Accountant to take individual responsibility for the maintenance of the highest standards of ethical principles throughout their career – safeguarding not only their own reputation, but also that of their organisation and their profession, for the benefit of the public in general. In order to earn and retain that trust, Chartered Accountants have developed and structured the profession to support it.

That infrastructure has evolved over the years and in many areas the profession is now subject to independent regulatory oversight which has increased transparency over the profession's activities. The foundational principle of the profession is the responsibility to act in the public interest. On top of that foundation, there is a commitment to initial and ongoing training and education for Chartered Accountants to ensure they are competent and relevant. This is accompanied by a drive to adopt and support high-quality global reporting, assurance and ethical standards to support global business and wider society through a constant focus on ethics and integrity.

Because of this infrastructure, Chartered Accountants benefit their clients, their communities and economies. In turn, those clients, communities and economies recognise the dependability of Chartered Accountants and place their trust in them.

This paper explores how Chartered Accountants support and maintain the trust we have earned. It explains the impacts and dependability of Chartered Accountants in performing their roles and it asks how society's evolving needs for trusted information and integrity across the economy can best be met.

This paper refers to Chartered Accountants and focuses on the Chartered Accountancy profession, its history and status (we note different designations for accountants are recognised in other jurisdictions and have also adopted the IFAC Statements of Membership Obligations (SMOs)).


Trust
Dependability & Impact
AI and trust in the profession
Ethics, Education & Standards
Commitment to act in the public interest

# Section 1: Commitment to act in the Public Interest

Chartered Accountancy bodies around the world are grounded in acting in the public interest, ethics and integrity.

- To always preserve the professional ethics of accountants in whatever capacities they may be serving.
- To promote quality, expertise and integrity in the profession of accountancy by its members.

Today the accountancy profession is distinguished by its acceptance that it has a responsibility to act in the public interest. This means that over and above satisfying the needs of an individual client, or their employer, a professional accountant always has to act ethically in accordance with a Code of Ethics. All of the members of the bodies that make up Chartered Accountants Worldwide (CAW) are Chartered Accountants who are required to apply a Code of Ethics. Each Chartered Accountancy body has accepted and published a Code of Ethics that applies to all its members.

These Codes are based on the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), published by the International Federation of Accountants (IFAC) (the IESBA Code).

In producing Codes of Ethics for their members, Chartered Accountancy bodies adapt the IESBA Code to reflect local conditions – for example, some bodies have added additional support material to assist members in applying the code, other bodies refer members to detailed application material in the IESBA code. In all cases the requirements of Chartered Accountancy bodies are no less stringent than the IESBA Code and they are required to report regularly to IFAC that this is the case.

The IESBA Code - and therefore by extension the Code of Ethics of each Chartered Accountancy body - reflects the accountancy profession's acceptance of its public interest responsibility. The Codes of Ethics are based on five fundamental principles of ethical behaviour that govern how all Chartered Accountants go about their work.

### At all times, Chartered Accountants are expected to act with:

- **Integrity** – straightforwardness and honesty, including non-association with misleading information.
- **Objectivity** – ensuring bias, conflicts and undue influence do not override professional judgement.
- **Professional competence and due care** – maintenance of knowledge and skill and acting diligently.
- **Confidentiality** – non-disclosure of confidential information unless there is a legal or professional right or duty to do so.
- **Professional behaviour** – compliance with law and regulation, behave in a manner consistent with the profession's responsibility to act in the public interest and avoidance of actions that discredit the profession.

The Codes of Ethics are a visceral and tangible embodiment of the public interest, guiding the work that Chartered Accountants do, day in and day out. They make many references to areas where the profession needs to act in the public interest.

### For example:

Confidentiality serves the public interest because it facilitates the free flow of information from the professional accountant's client or employing organisation to the accountant in the knowledge that the information will not be disclosed to a third party. Individual Chartered Accountants are required to go about their work with regard to these ethics' principles, which ensures that the profession as a whole is instituted to benefit the public. The Codes of Ethics are designed with this outcome in mind. For example, the Codes of Ethics include requirements to override confidentiality in certain circumstances, to ensure transparency where necessary and consider reasonable and informed public perception, based on knowledge at the time.

The principles, and the application material that supports the Codes of Ethics, are kept under review to ensure that they continue to reflect society's expectations for the profession. The Codes of Ethics are supported and supplemented by a rigorous qualification regime to gain entry to the profession, Continuing Professional Development (CPD) requirements for all members, monitoring regimes to review the quality of members' work, mechanisms to enable complaints to be investigated, and an enforcement regime to sanction members, for example for breaches of the Codes of Ethics.

By 2022, 180 professional accountancy bodies around the world had joined IFAC and required their members as professional accountants to apply a Code of Ethics. All Chartered Accountants Worldwide member bodies are members of IFAC. What distinguishes us as Chartered Accountants is our commitment to, and investment in, this extensive infrastructure that supports individual members in understanding and applying how to act ethically – including working to high levels of competence – and in holding members to high standards of behaviour. This is the hallmark that enables deserved confidence in those engaging and employing Chartered Accountants – and in the wider public that benefits from their work.

# Section 2: Ethics, Education and Standards

The brand "Chartered Accountant" is synonymous with trust because of the world-class learning that Chartered Accountants receive, and the high-quality standards to which they are held and indeed, help shape along with other stakeholders.

Becoming a Chartered Accountant, and maintaining that designation, requires extensive training. Chartered Accountancy bodies hold their members to rigorous training standards that go beyond directly regulated areas. There are education standards that apply to the training and a focus on the importance of ethics along with the technical and business knowledge required. Chartered Accountants have lifelong learning and continuing professional development (CPD) requirements. As a profession there truly is a need for lifelong learning as the world continues to change. The Chartered Accountancy qualification is a mark of quality, and maintaining this is not something the bodies take for granted as the training needs of Chartered Accountants constantly evolve to meet the needs of society.

## Education and competence

Part of the responsibilities of being a member of IFAC are to ensure compliance with its Statements of Members' Obligations (SMOs). In relation to education, these require IFAC member bodies to identify and undertake actions to have the International Education Standards (IES) issued by the former International Accounting Education Standards Board (IAESB) adopted and implemented in their respective jurisdictions. IES 4 'Initial Professional Development (IPD) – Professional Values, Ethics and Attitudes' sets out the learning outcomes that trainee professional accountants are required to achieve by the end of their IPD for professional values, ethics, and attitudes. These are the characteristics that identify professional accountants as members of a profession.

### They include:

**(a) Professional scepticism and professional judgement** – this includes applying an inquiring mind; mitigating the risk of bias when making decisions; and applying critical thinking.

**(b) Ethical principles** – this includes identifying and evaluating threats to compliance with the five fundamental principles and how to respond appropriately.

**(c) Commitment to the public interest** – this includes the role and importance of ethics within the profession and in relation to the concept of social responsibility; and the role and importance of ethics in relation to business and good governance.

Chartered Accountants are first made aware as students of the great importance of ethics and the damage that unethical behaviour could cause not just to their own career, but to the wider accountancy profession. Case studies are used to illustrate key concepts and provide means of assessing students' understanding. Such examples bring ethics to life and serve as useful reminders to students as to the types of dilemmas they may be exposed to e.g. manipulation of data or information in order to ensure that a covenant from a financial institution is not breached.

These standards will continue to evolve as will the syllabus of Chartered Accountancy bodies as they seek to ensure that their training remains relevant and fit for purpose. However, ethics will continue to remain at the heart of the training. Whilst the environment in which ethical dilemmas are experienced will continue to evolve with ever increased focus on sustainability and technological advancements, the grounding that Chartered Accountants have in ethics and their public interest responsibilities will continue to serve them and wider society well.

## Continuing professional development (CPD)

Chartered Accountants continue learning and developing throughout their careers. Professional values, ethics, and attitudes achieved during IPD are highly relevant to CPD as careers evolve, and Chartered Accountants gain exposure to a wider range of ethical threats. These values are reinforced and promoted by Chartered Accountancy bodies who promote CPD to their members and monitor compliance.

Chartered Accountants are expected to develop and maintain the professional competence necessary to provide high-quality services to clients, employers, and other stakeholders, irrespective of their role, and thereby to strengthen public trust in the accountancy profession. They do this by following the CPD requirements set out in International Education Standard 7. CPD develops and maintains professional competence. Alongside the experience gained from their work, CPD enables Chartered Accountants to continue to perform their roles competently, ethically and to high quality. CPD includes Chartered Accountants': (a) education, (b) training, (c) practical experience, (d) mentoring and coaching, (e) networking, (f) observation, feedback, and reflective activities, and (g) self-development activities.

Each of these will be specific to the Chartered Accountant concerned, who needs to take personal responsibility to identify what their CPD needs are. These of course will vary but include giving due consideration to new skills that may be necessary to achieve career advancement as well as changes in society that require new skills to be acquired. Such skills are not just of a technical nature but also include softer skills which are an essential part of a Chartered Accountant's DNA. Chartered Accountancy bodies undertake annual reviews of the CPD that is undertaken by their members to help ensure that they continue to develop and extend the necessary skills.

## Oversight, regulation, and monitoring

Chartered Accountants are subject to high-quality regulatory standards, stemming from both professional and independent oversight. Some Chartered Accountancy bodies are also subject to statutory and regulatory oversight, and monitoring for compliance with national laws and requirements. Knowledge that regulation of members is a key activity of Chartered Accountancy bodies provides confidence to stakeholders who make use of their services.

### Monitoring

Chartered Accountants in public practice are specifically subject to regular monitoring of their work and compliance with matters such as anti-money laundering requirements by professionally qualified reviewers. This serves as a means by which quality can be assessed and improved by feedback provided on such reviews. Knowing that one's work will be subject to review also serves as a driver of quality. Monitoring visits also provide an opportunity for Chartered Accountants to discover ways in which they can improve their practice and quality of their work and therefore better serve their clients. Such quality visits are specific to the services provided by the Chartered Accountant or firm concerned. Chartered Accountants place a lot of focus on such matters as they appreciate that the reputation of their professional body is intrinsically linked to their own reputation. They therefore recognise the importance of having appropriate monitoring systems and controls in place to ensure compliance and delivery of high-quality work.

### Audit Monitoring

A large number of Chartered Accountants specialise in performing independent audits of financial statements. The monitoring of audit quality in some jurisdictions is undertaken by an independent regulatory body, by the Chartered Accountancy body or in some instances a combination of both. Regardless of the approach, those Chartered Accountants signing audit reports are subject to review by appropriately qualified individuals. This process helps to ensure the quality of the audit work undertaken and provides a valuable feedback loop to facilitate continual improvement and hence improve audit quality on an ongoing basis.

### Enforcement via investigation and disciplinary processes

On the rare occasions where complaints are received by Chartered Accountancy bodies, these are properly considered, and if necessary, investigated, in the public interest. The Chartered Accountancy bodies are committed to maintaining public confidence in the accountancy profession by promoting the highest professional and ethical standards. Regulation is rigorous but fair.

Therefore, they need to have processes in place that will enable proper consideration of a complaint and for that matter to be investigated if there is just cause to do so.

Stakeholders need to have confidence in such investigative and disciplinary processes, so the involvement of independent individuals who are not members of the Chartered Accountancy body or employed by it can play a key role. Of course, there must be a fair investigation of the matters concerned before a decision is made and not all complaints are upheld. Chartered Accountancy bodies will take disciplinary action where there is sufficient evidence of a failure to observe the standards expected of their members. Subsequent sanctions include, amongst others: reprimands; exclusion from membership; and financial penalties.

## Global standards

Chartered Accountants are expected to have robust knowledge of a range of legislation, regulations, codes and standards. The nature of these will vary with their role but include those applicable in the jurisdiction in which they operate but may also include those applicable in other jurisdictions and, indeed globally. The accountancy profession has sought for many years to create truly global standards that can help remove unnecessary barriers to trade, facilitate cross-border commerce and enhance trust in information and in business, regardless of their location. Chartered Accountants have been at the heart of that movement. This has helped corporates and investors to determine where they should be allocating their capital most effectively as it enables easier comparison of the performance and financial positions of entities around the globe.

Chartered Accountants engaged in corporate reporting or assurance type roles have practical knowledge and experience of applicable standards such as:

- International Financial Reporting Standards (IFRS) and the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB)
- International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB)
- IFRS International Sustainability Reporting Standards issued by the International Sustainability Standards Board (ISSB)

The accountancy profession helped to establish the IASB in 2001 and to put in place a governance model that has helped to establish the trust of stakeholders in the quality of International Financial Reporting Standards (IFRS) issued by the IASB. This is evidenced by the large number of jurisdictions across the globe in which these standards have been adopted. Additionally, although they are not used in the US, foreign SEC registrants are allowed to file their financial statements prepared under this basis without having to reconcile to US Generally Accepted Accounting Principles (GAAP) requirements which again highlights that they are perceived as being of high-quality. As accounting is the language of business having this widespread recognition of a common set of financial reporting standards helps to reduce the regulatory burden on business and at the same time provide better information to stakeholders, thus leading to more efficient and effective capital allocation by investors.

The IASB also recognised the importance of proportionality and issued a standard specifically targeted at smaller and medium sized entities, the IFRS for SMEs. This better recognises the accounting needs of such entities without reducing the quality of their reporting. Again, this standard is widely used, either as issued by the IASB or tailored specifically to the needs of a particular jurisdiction.

The success of the IASB under the IFRS Foundation made the latter a natural choice to act as the host of the ISSB that was established during COP 26 in 2021. The standards to be issued by the ISSB are primarily targeted at the needs of investors and it remains to be seen whether these will also meet the needs of the wider stakeholder groups who have more of an interest in sustainability-related information than they do financial information. That said, the ongoing engagement between the ISSB, Global Reporting Initiative (GRI) and EFRAG is to be welcomed as efforts are made to establish a global benchmark and building blocks approach.

IFAC continues to play a key role in relation to the setting of audit and assurance, ethics, public sector accounting and accounting education standards. Following the review of the standard-setting models of the IAASB and IESBA by the Monitoring Group (MG), which comprises bodies such as the European Commission (EC), World Bank, International Organisation of Securities Commissions (IOSCO), among others, efforts are currently ongoing to implement the MG's recommendations to further

improve the independence of these boards.
In relation to the boards mentioned above, with the exception of the ISSB which is still in its infancy, there is trust in relation to the standards that they issue because of:

**i.** The governance processes that are in place. The standard setting models have all been established with input and support from key global bodies such as the constituent members of the MG.

**ii.** The composition of the respective standard-setting boards. The governance processes that are in place ensure that only high-quality individuals are appointed to the respective boards. In particular, board nominations are openly sought and there is a rigorous process involving a nominations committee before board members are determined.

It is also ensured that there is appropriate representation from the different stakeholder groups, geographical regions, gender et al, to help ensure a balanced board.

**iii.** The due process that is undertaken before a new or revised standard is approved. This would generally involve outreach with key stakeholders, potentially a discussion paper, an exposure draft of the proposed changes to a standard and further outreach as necessary before the new or revised standard is finalised. Stakeholders take trust from the governance and due process of the respective standard-setting models and hence in the quality of the resulting standards. World-class learning, adherence to high-quality ethics, regulatory and technical standards contribute to the high level of trust that is placed in Chartered Accountants.

# Section 3: Dependability and Impact

Chartered Accountants are dedicated to performing their roles in the public interest, that means we bring rigour to our work and a focus on quality, ethics and training. That is what enables us to build a depth of trust and skill with a measurable impact. Chartered Accountants play key roles within the business ecosystem bringing integrity and trust to their communities, businesses, and economies.

Some Chartered Accountants work in accountancy firms (professional accountants in public practice) providing a range of services to their client base. Other Chartered Accountants work in business (professional accountants in business), including those in the public and third sectors. They occupy various roles, such as CEOs, CFOs, financial controllers, technical accounting experts etc.

## Professional accountants in public practice (PAPPs)

The size of accountancy firms varies considerably from global network firms to those serving the needs of their local community. Chartered Accountants in these firms provide assistance to organisations at all stages of the organisational life cycle. That includes entrepreneurs in start-ups as they look to innovate and make their mark, potentially the next Apple or Google, through to those business facing financial distress, where Chartered Accountants in an insolvency role may be responsible for restructuring an entity or bringing to an end its activities to protect creditors and help preserve capital.
During an organisation's life cycle, they may use a wide range of services provided by Chartered Accountants. The range of services will likewise vary but it is common to find Chartered Accountancy firms providing services such as accounts compilation, audit and other assurance related services, tax, corporate finance, insolvency as well as business advisory.

Chartered Accountants act as an enabler of growth and provide a valuable range of services and advice to help businesses of all sizes navigate the ever more complex jurisdictional and global business environment. They also help to ensure that the law is properly adhered to e.g., the preparation of accounts that show a true and fair view, legally approved dividends, legally compliant tax returns and payments being made by the due deadlines etc. Chartered Accountants are trusted advisers to business and help to ensure that businesses are aware of current and forthcoming developments that may impact on a business, including on its business model.

## Professional accountants in business (PAIBs)

Chartered Accountants perform many different roles within business, from being in the heart of the finance function to being chief executives of some of the world's largest organisations. (For example, research done in 2022 by ISCA showed that 47.4% of CFO/ key finance personnel for 135 SGX listed companies with market capitalisation of at least $500 million are Chartered Accountants.) They also can be found in all business sectors from traditional industries through to new high-tech start-ups. The roles of PAIBs are widespread in business from financial controllers to chief executives to chairs and audit committee chairs. They all play a key part in the corporate ecosystem. Whilst many will have roles of a reporting nature, a considerable contingent will have key strategic and operational responsibilities. The knowledge of different types and sizes of business that Chartered Accountants gain in their training is invaluable to their future careers. They also play a key role in the public and third sectors and help to ensure that public money is spent appropriately and that value for money is provided.

## Financial reporting supply chain

Chartered Accountants are key components in what is often referred to as the financial reporting supply chain. On one side of the chain, you find investors and other stakeholders (users) wanting trustworthy financial information about entities that will help them make their decisions about where they invest. At the other side of the chain, entities establish systems and internal controls to enable the production of financial reports to meet the information needs of stakeholders. In between

Within the entity producing the financial report, Chartered Accountants are likely to be found in various roles helping to produce, analyse and interpret the financial information. Some entities also have internal auditors, who may also be Chartered Accountants, who act as a quality management mechanism within the entity. Sitting above these functions are those charged with governance of the entity who through their strategies, policies, and governance, along with important roles such as instilling a corporate culture that is focused on the quality of information, ethics and integrity, shape how the other functions operate and ultimately take responsibility for the financial report. Chartered Accountants can commonly be found in such roles. The entity may also use external advisors, some of whom may be Chartered Accountants, at various stages of its processes.

Once the entity has prepared the financial information, unless it is not required to have an audit, external auditors will provide users with independent assurance about the financial report. Throughout all stages of the financial reporting supply chain, standard setters set agreed parameters for preparing and auditing the financial statements and regulators set further requirements for entities and auditors. Chartered Accountants are integral to all these stages, adding trust to the entire process. Recent research evidences what Chartered Accountants contribute to the public's trust in the financial reporting supply chain.

Chartered Accountants Australia and New Zealand's surveys of Retail Investor Confidence in both Australia and New Zealand has shown that external auditors are the most trusted group when it comes to those who advance investor protection and have remained number one for five years.

This survey is conducted by Dynata, using over 1500 retail investors in Australia and New Zealand.

This aligns with the results of the 4th Wave (June 2023) of the "Evaluating trust in the accountancy sector" survey, conducted in partnership with Edelman DXI. 1350 decision makers (Director+ level) in businesses participated in the research in England, Scotland, Wales, Northern Ireland, Republic of Ireland, South Africa, Australia and New Zealand. Some of the key findings of the survey include:

- Trust in Chartered Accountants has increased during the turbulence of the pandemic and economic uncertainty.
- Chartered Accountants are the most trusted finance professionals.
- Performance on integrity measures has increased but so has the importance of accountants in driving transparency/trust.
- 83% agree Chartered Accountants play a vital role in helping business adapt to new challenges following the economic crisis.
- 81% expect Chartered Accountants to be custodians of data integrity due to increasing concerns over misinformation and data accuracy.
- 70% see Chartered Accountants as credible spokespersons on societal issues such as sustainability.

A foundation stone of the Chartered Accountancy profession is that its members are focused on not only servicing their clients or employers, but also on protecting the public interest. Chartered Accountants have rigorous training, robust ongoing professional education and focus their development on delivering quality. Chartered Accountants in public practice in both assurance and non-assurance practices have to adhere to clear and challenging quality standards. This applies both to Chartered Accountants who provide services to some of the world's largest companies and to those who do so for SMEs.

This strong focus on quality and ethics has a definite impact on the communities and economies where Chartered Accountants operate. In 2017 IFAC commissioned a study of the impact of the global accountancy profession on corruption. The IESBA's Code of Ethics for Professional Accountants is one of the most comprehensive ethical frameworks found in any profession and it underpins how Chartered Accountants operate as they work. The study found that there was a strong positive correlation between the percentage of professional accountants in the workforce and more favourable results on the Transparency International Corruption Perceptions Index. This correlation is even stronger in countries with stronger governance architectures and where countries have adopted the Financial Action Task Force recommendations which are standards that address anti-money laundering and financing of terrorism and proliferation. The impact of professional accountants, who have a qualification and belong to Professional Accountancy Organisations that have education and ethical standards, which includes all Chartered Accountancy bodies, is greater than non-professional accountants.

## Case studies

The IFAC studies show the impact professional accountants have on fighting corruption. The accountancy profession faces a particular dilemma in that while its failures are often public – company collapses and fraud getting media attention and potentially resulting in legal action—its successes are less visible to the public.

For example, while auditors are sometimes publicly criticised in commentary around corporate failures, their successes in identifying issues within financial reports and making sure they are corrected before those financial reports get into the hands of the users, are largely private. So is the work of all the Chartered Accountants in companies and other organisations who manage the finances and risks and help steer those entities to success. They also ensure that the company's reporting explains to users where key judgements and estimates have been made. This is essential in a world where business has become ever more complex. Individual Chartered Accountants address this by taking their roles seriously, thinking carefully about how they apply their skills and ethics to their work and using their reporting opportunities wisely to communicate about key judgements made.

## Economic contribution of the profession

Strong accountancy professions also improve economies. IFAC's 2015 report Nexus 2: The Accountancy Profession: A Global Value-Add, looked at just how this contribution can be quantified. The research, carried out by Cebr, an independent business and economic research consultancy, examined IFAC member data from 2009-2013. The research found a strong correlation between the percentage of professional accountants working in economies with both GDP and the United Nations Human Development Index which measures indicators such as life expectancy, years of schooling and income.

Accountants actively improve the economies they work in by supporting businesses of all sizes, supporting strong capital markets, and ensuring public finances are managed effectively and that public services are also delivered effectively. They improve transparency, and the quality of information and reporting, which in turn enables better decisions to be made. The correlations were stronger in developed economies which demonstrates that establishing strong accounting professions in developing economies is one way to help those economies to grow and prosper. The figures at the time of the IFAC report estimated the contribution of professional accountants to global GDP as close to 600 billion dollars. That figure is likely to have grown in the years since the research was carried out.

# Section 4: Society's evolving need for trust

## Chartered Accountant as a trusted brand

Chartered Accountants work hard to build and maintain trust and remain committed to continuing to do so as the profession evolves. Historically the Chartered Accountant brand has engendered trust to capital and financial matters. Their rigour of process, commitment to education and quality, alongside the ethical standards of professional accountants give the public trust in the financial reporting supply chain and capital markets.

## Meeting the needs of an evolving society

The importance of non-financial matters to investors, stakeholders, communities, and economies, local and global, has been growing and the pace of that growth has increased in recent years. The climate change crisis, alongside other important sustainability-related matters such as human trafficking and biodiversity are major challenges facing the world. The United Nations' ambitious framework of 17 Sustainable Development Goals (SDGs) and 169 associated targets address a wide range of social and economic development issues facing people globally. These goals include finding solutions for poverty, hunger, health, education, gender equality, water, sanitation, energy, and social justice.

The goals give government, business and civil society a universal roadmap to tackle urgent challenges, meaningfully engage with emerging risks and discover new opportunities for creating value. The 'Evaluating trust in the accountancy sector' survey, in partnership with Edelman DXI, shows that society expects businesses across the globe to play a crucial role in delivering against the SDG targets.

To achieve this, society needs, and expects relevant and reliable information on which to base sustainable decisions. Chartered Accountants will play a key role in making that happen. Accountants have always been part of the conversation when it comes to these matters. From the early days of approaches such as triple bottom line reporting, integrated reporting and corporate and social responsibility reporting, accountants have been active in emerging areas of reporting and advocating for high quality reporting and assurance to build the trust of the users. Currently a broad range of non-financial matters such as climate change, modern slavery and inequality fall under the umbrella of 'sustainability reporting' and a number of jurisdictions are beginning to introduce mandatory reporting on these matters, which will, in turn likely require a level of assurance whether mandated or voluntary.

Chartered Accountants will play key roles in these matters and bring trust to this emerging area of reporting and assurance. The nature of that information will continue to evolve as standards, processes and expectations mature. Further key developments in the reporting space have seen the establishment of the ISSB as well as EFRAG's sustainability board. Throughout, the role of Chartered Accountants will be to meet the profession's public interest responsibilities and put in place the foundations that will ensure this information can be trusted and equip business to make more sustainable decisions. The core skill sets of Chartered Accountants are well-placed to meet the challenges that the provision of high-quality sustainability-related information brings and will be directly involved in the collection, analysis and reporting of such information, and in providing assurance on its reliability.

Chartered Accountants working within corporates have responsibilities to help inform strategy and governance. They will also be pivotal in putting in place systems and controls to ensure accurate data capture. In the investment and funding space, the trusted information Chartered Accountants provide will help to ensure the efficient and effective allocation of capital. As a profession that recognises itself as a critical player in creating value domestically as well as for the rest of the world, Chartered Accountants already contribute significantly to champion projects to increase employment, improve education, enable access to healthcare and innovate new technologies to enable the transition to net zero. Likewise, Chartered Accountants will be involved in providing assurance on sustainability-related information. It is appreciated that this type of work may also be undertaken by other experts outside the accountancy profession but what is required is to ensure that the public interest is served by applying the same regulatory standards to all such assurers. This will help to ensure that the assurance provided on such information is of a high quality regardless of the provider. In many cases multi-disciplinary teams led by professional accountants may be the optimum approach.

This model is already well established in financial statement audits where other professionals such as actuaries, professional valuers and IT specialists often play key roles.

The future will bring many opportunities and challenges but society can rest assured that the Chartered Accountancy profession stands ready to act in the public interest and meet the evolving needs of society.

# Section 5: Artificial Intelligence and Trust in the Chartered Accountancy Profession

## Executive summary

This paper gives high-level considerations and prompts to help Chartered Accountants and those responsible for governance think about the basics: where AI is being used, the potential implications for trust, and the key questions to consider when adopting or overseeing AI-enabled activities.

AI is increasingly embedded across reporting, audit and assurance, governance, analysis and advisory services. Used appropriately, it can enhance efficiency, insight and quality. However, without appropriate understanding, oversight and professional judgement, AI may introduce risks that affect both individual engagements and broader confidence in the profession.

The paper is intended to support awareness and consistent thinking about key professional considerations related to AI, regardless of how the technology is deployed, i.e. through agents, chatbots, analysis GenAI etc. This document is not intended to be a technical guide, or a substitute for professional judgement, organisational policies, legal or specialist advice or applicable standards.

This paper highlights five core messages:

**1. Human accountability remains fundamental.**
Responsibility for professional work always rests with the Chartered Accountant. Ethical obligations, judgement and accountability cannot be delegated to AI systems, models or vendors.

**2. Professional scepticism is critical in an AI-enabled environment.**
AI outputs may appear authoritative while being incorrect, biased or incomplete. Maintaining professional scepticism and exercising independent judgement are essential to preserving quality and credibility.

**3. AI introduces distinct and amplified trust risks.**
AI can amplify existing risks and introduce new ones, including accountability gaps, limited explainability, regulatory non-compliance and reputational impacts. These risks evolve as AI use matures.

**4. Strong governance underpins responsible AI use.**
AI adoption is a governance and ethics issue, not only a technology decision. Clear policies, defined boundaries, documented controls and accountability are essential.

**5. Cybersecurity and transparency are essential enablers of trust.**
AI tools depend on data, access and connectivity. Weak cybersecurity controls and unclear data handling practices can quickly undermine confidentiality, privacy and professional trust.

In summary, while AI presents opportunities to enhance professional practice, it does not replace the judgement, scepticism and ethical responsibilities of Chartered Accountants. The questions included in this paper are intended as prompts to support reflection, risk awareness and sound decision-making as AI continues to evolve.

## Trust in AI-enabled professional work rests on human accountability, professional scepticism, competence and robust governance

### Trust

### Dependability & Impact

- Reliable and consistent outputs
- Clear accountability for outcomes
- Better quality decision support
- Enhanced efficiency and insight
- Positive impact on clients, markets and society

### Ethics

- Professional scepticism
- Human oversight and judgement
- Bias, fairness and objectivity safeguards

### Education

- AI literacy and competence
- Training and continuing professional development
- Understanding limitations and appropriate use

### Standards

- Transparency and explainability
- Cybersecurity and data governance
- Compliance with professional, legal and regulatory requirements

### Commitment to act in the Public Interest

- AI use must serve the public interest
- Human accountability remains fundamental
- Protection of confidentiality and rights
- Responsible governance and oversight
- Integrity in the use of AI
- Avoiding harm and preserving public confidence

## The Enduring Importance of Trust in Chartered Accountancy

Trust has always been central to the Chartered Accountancy profession. As set out in [Trust: Making the Difference](), that trust rests on enduring foundations: a commitment to act in the public interest, rigorous ethics, high standards of education and competence, and accountability through oversight and discipline. Artificial intelligence (AI) does not change these foundations—but it does change how they must be applied in practice. AI is already reshaping how information is generated, analysed and communicated. For Chartered Accountants, this creates opportunities to enhance quality, insight and efficiency across financial and non-financial reporting, assurance, governance and decision-making. At the same time, AI introduces new risks to trust if it is used without appropriate understanding, governance or professional judgement.

## Human Accountability in the Age of AI

At the heart of our profession is trust — and that trust has always been grounded in human accountability. No matter how information is prepared or what tools are used along the way, it is the professional accountant who stands behind it. The responsibility for its integrity, accuracy and appropriateness cannot be delegated to a process or a platform.

This is why the rise of AI and advanced analytics doesn't make the accountant's role less important — it makes it more so. The judgement, scepticism and ethical grounding that define good practice are needed now just as much as ever, perhaps more.

## The Evolving Role of Chartered Accountants

Chartered Accountants are data guardians, ethical navigators and trusted voices on technology adoption. At the same time, AI tools are now widely available and many are genuinely useful — capable of processing large volumes of data, identifying patterns, drafting documents and supporting complex analysis at scale.

## Maintaining Trust While Embracing AI

The question is not whether Chartered Accountants should use AI. Many already do, and many more will. The question is whether they are using it in a way that preserves and enhances the trust that the profession has earned.

This paper provides a structured framework of questions and considerations for individual Chartered Accountants, professional bodies and accountancy firms as they plan, implement and govern the use of AI in their work.

# Three pillars of trust in the AI era

### 1 Professional scepticism

interrogate AI outputs test and verify, and make independent professional judgements.

### 2 Transparent governance

clear policies, boundaries, controls and oversight to ensure AI is used consistently and responsibly.

### 3 Competence & capability

sufficient understanding to use, review and explain AI appropriately (including limitations and outputs).

**Foundation**

**human accountability and public interest:** accountability for professional work remains with the Chartered Accountant and must be exercised in service of the public interest.

# Navigating emerging risks and challenges in the age of GenAI

| Risk area | Description |
|---|---|
| **Automation bias and over-reliance** | Uncritically accepting AI-generated reports and findings poses a real risk of attributing errors directly to the technology. This can lead people to depend too much on AI, overlooking their own critical thinking and professional judgement. As a result, accountability decreases, and mistakes are less likely to be questioned. |
| **Data privacy and confidentiality** | Feeding sensitive client or employer data into AI tools without understanding how that data is stored, processed or used is a critical risk that Chartered Accountants must be aware of, as it can expose organisations to legal, regulatory, and reputational consequences. |
| **Decline in professional scepticism** | The adoption of GenAI has the potential to impact human autonomy significantly. As individuals and professionals increasingly rely on algorithm-driven tools for decision-making, there is a risk that their independence may be diminished. This growing dependence on AI can lead to a gradual erosion of critical thinking skills, where practitioners become less inclined or able to challenge or scrutinise outputs generated by these technologies. With regular use, AI may shape behaviours and attitudes, reducing the willingness to question results and potentially undermining professional scepticism. |

| Risk area | Description |
|---|---|
| **Accountability gaps** | GenAI raises major questions about responsibility and ownership when harmful outcomes occur. It is unclear whether users or developers should be held accountable, and there is ongoing debate over who owns AI-generated work. This lack of clarity makes it hard to assign accountability or effectively address errors and ethical issues. |
| **Regulatory non-compliance** | Using AI tools that fail to meet legal or regulatory standards can lead to fines, restrictions, and increased management attention. System features may also heighten associated risks and harms. |
| **Reputational damage** | Public disclosure of an AI error that was not caught by professional review, undermining stakeholder trust. |
| **Objectivity, bias and fairness** | Objectivity requires professionals to be alert to bias and to avoid undue influence on professional judgements. AI can reproduce or amplify bias present in training data, prompts, assumptions, or underlying models—leading to skewed outputs and unfair outcomes. This risk is particularly acute where AI is used to classify, prioritise, predict, or recommend actions that affect stakeholders. This is distinct from automation bias, which relates to human over reliance on AI outputs. Even where outputs appear reasonable, hidden bias can undermine neutrality and public confidence. Judgements informed by AI therefore need to be evaluated for balance, fairness and alignment with stakeholder interests. |

| Risk area | Description |
|---|---|
| **Lack of explainability and transparency** | As AI systems become more complex, it may be difficult to explain how an output was generated or which factors drove a result (the "black box" problem). Limited explainability can constrain professional review, reduce defensibility of decisions, and create challenges in audit, assurance and compliance contexts—particularly where stakeholders expect clear rationale, evidence and traceability. The International Code of Ethics for Professional Accountants (International Code of Ethics) focuses on understanding and avoiding undue reliance on technology, including inputs, data, related decisions and other key factors. |
| **Transparency failures** | Failing to disclose to clients or stakeholders that AI was used in producing advice or reports undermines transparency and accountability. |
| **Operational and cyber risks** | AI can create operational disruption through outages, degraded performance, integration issues and third party dependency (including model/service changes). It can also increase cyber exposure where tools connect to internal systems or handle sensitive information (e.g., compromised credentials, unauthorised access, data exfiltration, prompt injection). |
| **Financial risks** | There is a financial risk that the investment in GenAI tools and training may not be justified by the potential long-term benefits. |

## Questions to Support Trust When Using AI

This list of key questions is designed to prompt thinking and support consistent, ethical and trustworthy use of AI by Chartered Accountants and their organisations. This is not intended as a check list but a starting point for thinking about the professional considerations involved in adopting AI.

### AI and professional ethics

AI does not change the ethical foundations of the profession. Accountability for professional work always rests with the Chartered Accountant, not the tool.

- Does the organisation's use of AI align with the fundamental principles of the International Code of Ethics (integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour)?
- Does the organisation's use of AI align with the technology provisions within the International Code of Ethics?
- Is it clear that responsibility for AI-assisted work remains with a human professional?
- Does the organisation explicitly recognise that AI must serve, not undermine, the public interest?

### Key AI risk areas

AI introduces new and amplified risks that can affect trust, compliance and professional judgement.

Has the organisation identified and documented key AI-related risks, including:

- automation bias and over-reliance
- data privacy and confidentiality breaches
- reduced professional scepticism
- accountability gaps
- regulatory non-compliance
- reputational damage
- bias, objectivity and fairness
- operational, cybersecurity and financial risks?

Are these risks reviewed regularly as AI tools and use cases evolve?

### Planning and readiness

Different AI tools pose different levels of risk depending on how they work, what data they use, and how outputs are generated.

- Has the organisation undertaken basic due diligence on how each AI tool operates and its intended purpose?
- Is the proposed use of AI appropriate given the level of judgement involved?
- Are the limitations, known weaknesses and error risks of the tool documented?
- Has the organisation confirmed compliance with applicable data protection and privacy laws in all relevant jurisdictions?
- Has the organisation assessed intellectual property considerations (e.g., ownership, licensing and permitted reuse of inputs and outputs) for the proposed AI use?
- Are only approved and enterprise grade tools used for professional work involving confidential information?

### Defining scope and appropriate use

- Has the organisation clearly defined which tasks may use AI support and which must remain fully human led?
- Has the organisation assessed its overall AI readiness (data quality, systems, skills and governance)?
- Would the organisation be comfortable explaining and defending its AI use to regulators, clients or the public?
- Is AI adoption aligned with broader organisational strategy and objectives?

### Skills, competence and training

Using AI responsibly requires more than technical access; it requires informed professional judgement.

- Do relevant staff have sufficient understanding of AI concepts and limitations to critically assess outputs?
- Has structured training been provided for the specific AI tools in use?
- Is there a plan to refresh training as tools, standards and guidance evolve?

- Are gaps in competence identified and addressed before AI is used in client-facing or high risk work?
- Is specialist or expert support required to use the tool for this task?

## Implementation and day to day use

Many AI risks arise at the point of use rather than during planning.

- Has the organisation clearly articulated the business purpose and objectives for each AI use case?
- Have relevant stakeholders been engaged, including risk, compliance, IT and professional leaders?
- Are responsibilities for AI-assisted work clearly assigned?

## Professional judgement, scepticism and quality control

AI outputs can appear plausible while being incorrect. Professional scepticism remains essential.

- Are AI outputs consistently reviewed and challenged by a qualified professional before use?
- Are there documented review and verification processes for AI-assisted work?
- Is responsibility for final outputs clearly assigned to a human professional?
- Are AI inputs and outputs documented sufficiently to support audit, review or regulatory scrutiny?
- Do existing quality management systems explicitly address AI-related risks?
- Could the engagement team clearly explain the tool's relevant limitations, assumptions and constraints to the client or those charged with governance?
- If AI generated output is used in advice, analysis or reporting, can it be explained in a way that is understandable and supportable for the client?
- Have references, sources and factual assertions been independently checked?

## Data handling, confidentiality and transparency

Confidentiality and transparency are central to trust in the profession.

- Does the organisation understand how data entered into AI tools is stored, processed and used by vendors?
- Is sensitive information anonymised or minimised wherever possible?
- Are appropriate permissions obtained before using client or employer data?
- Is there a documented response plan for AI-related data breaches?
- Is there a consistent approach to disclosing material AI use to clients and stakeholders?
- Do engagement letters and service descriptions accurately reflect AI use?

## Regulatory and legal compliance

AI use may trigger legal, regulatory and insurance implications.

- Has the organisation confirmed that AI use complies with all applicable laws, regulations and professional standards?
- Are regulatory developments monitored across relevant jurisdictions?
- Are AI-related risks considered in professional indemnity insurance arrangements?
- Where AI is used in audit or assurance, have implications for independence and standards been assessed?

## Governance and ethical oversight

AI adoption is a governance issue, not just an operational one.

- Is there a documented AI governance framework covering ethics, accountability and data handling?
- Is there a nominated senior leader or committee responsible for AI oversight?
- Are staff clear on when AI use is permitted or prohibited?
- Are AI policies reviewed and updated regularly?
- Is there a culture that encourages raising ethical concerns about AI use without fear?
- Is AI governance aligned with the organisation's broader ethical values and professional obligations?

- Have any issues or limitations identified been fed back to improve organisational AI governance?
- Has the organisation considered and aligned with relevant provisions of the International Code of Ethics?

## Role of professional bodies

Professional bodies play a critical role in setting expectations and supporting members.

- Is guidance on AI use current, practical and accessible?
- Do CPD requirements reflect the pace of AI development?
- Are disciplinary and practice review frameworks equipped to address AI-related conduct?
- Is there active engagement with regulators, standard setters and international bodies on this topic?