#DIFFERENCE MAKERS

PROFESSIONAL ETHICAL RESPONSIBILITIES
in the use and adoption of
GENERATIVE ARTIFICIAL INTELLIGENCE (GENAI)

GUIDANCE DOCUMENT

CA(SA) AGA(SA) AT(SA) SAICA | DIFFERENCE MAKERS™

About SAICA

The South African Institute of Chartered Accountants (SAICA) is the leading accountancy body in South Africa and one of the prominent institutes globally.

SAICA offers three reputable professional accounting and business designations from a foundational to a strategic level of accounting and business competence – Accounting Technician [AT(SA)], Associate General Accountant [AGA(SA)] and Chartered Accountant [CA(SA)]. These three designations are underpinned by the SAICA Code of Professional Conduct (the SAICA Code) and continuous professional development (CPD) to ensure the highest level of professionalism, discipline and performance.

SAICA is at the forefront of developing, influencing and leading the highest standards of ethics, education and professional excellence in the delivery of quality accountancy skills. This is achieved by safeguarding the professional standards of the designations on offer; advancing and maintaining the relevance of the profession; and by regulating the members' and associates' professional conduct against the SAICA Code.

SAICA's primary objectives are as follows:

- Support the development of the South African economy and society
- Promote the interests of SAICA members and associates

About the SAICA Code of Professional Conduct (the Code)

The Board of the South African Institute of Chartered Accountants ("SAICA") has adopted the International Code of Ethics for Professional accountants (including International Independence Standards) as released by the International Ethics Standards Board for Accountants' (IESBA) in 2018 in its entirety.

SAICA is a member of the International Federation of Accountants (IFAC) and has adopted the International Code of Ethics for Professional accountants with the permission of IFAC but has however included additional guidance to assist in the local application of certain requirements applicable to all SAICA members and associates.

The Code is applicable to all SAICA members and associates as defined in the SAICA Constitution. A contravention of, or failure to comply with any requirements of the Code, may be regarded as a Punishable Conduct or misconduct in terms of Appendix 4 of the SAICA By-laws and as such may be investigated and if appropriate the member or associate may be found

guilty and may be liable for penalties as described in the By-laws.

Sections 4.3 and 5.1.12 of the By-laws state that Punishable Conduct on the part of a trainee accountant shall include any conduct which would amount to Punishable Conduct had it been perpetrated by a Member, Associate General Accountant or Accounting Technician. Annexure 3, item 2.4 of the SAICA training regulations requires that trainee accountants should at all times keep the affairs of the training office and its clients confidential and not breach any codes of professional conduct, disciplinary rules or by-laws that apply to the profession of a CA(SA) or an AGA(SA) and, if applicable, a Registered Auditor.

The Code also conforms to the Independent Regulatory Board for Auditors (IRBA) Code of Professional Conduct for Registered Auditors.

About this Guidance Document

Generative artificial intelligence (GenAI) developments are moving at such a fast pace. Professional accountants (SAICA members and associates) making use of or placing reliance on these systems need to consider their professional ethical responsibilities in terms of the Code of Professional Conduct and be mindful of the complexities and uncertainties that come with the use of the technology.

This guidance provides details on ethical concerns and challenges related to GenAI. It aims to enhance critical thinking, professional scepticism and judgement in the use of and reliance on GenAI tools and outputs. It is centred around professional ethical responsibilities in terms of the SAICA Code of Professional Conduct.

SAICA recognises that the responsibility of a professional accountant may extend beyond that of the end-user of GenAI tools and output. In line with the provisions of the Code, professional accountants may be involved in designing, developing, implementing, operating, maintaining, monitoring, updating GenAI systems or related internal controls. They may provide advisory services of any nature (e.g., GenAI strategy and governance), working in GenAI project teams as members or leaders, and may own tools and business processes that embed GenAI large language model (LLM) capabilities. The focus on the end-user perspective (in this document) does not preclude the professional accountant from their ethical responsibilities within the GenAI ecosystem, in the public interest, as enshrined in the Code.

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Background and introduction

As a profession that exists to advance and protect the public interest, accountancy will play a critical role in ensuring that businesses, governments and society derive net benefits in the adoption and use of Generative AI (GenAI), and that procedural rigour is employed in relation to any action, decision, or policy related to this technology. With the escalating use and adoption of GenAI, members and associates of the South African Institute of Chartered Accountants (SAICA), also referred to as "professional accountants" in this document, not only have a responsibility to use the technology ethically and responsibly, but they also need to provide guidance to stakeholders and ensure compliance with governance practices and legislation and provide trusted advice to organisations and businesses. Professional accountants need to lead by example, ethically adopting and using GenAI, including abiding by the Code of Professional Conduct (Code) of SAICA which requires them to identify and address threats to their compliance with fundamental principles where these arise.

The public's perception of GenAI will play a crucial role in its effective adoption, and have an impact on sustainable value creation by organisations adopting and deploying it. Concerns about ethics, privacy, and misinformation may hinder acceptance if not addressed adequately. Building public trust through transparency and responsible practices will be essential for fostering a positive relationship between society, AI technologies and organisations.

SAICA considers ethical responsibility and context for the profession and professional accountants in various ways, including the following roles, responsibilities and perspectives:

* End-users or consumers of GenAI tools and large language model (LLM) systems
* Professionals and advisors in the use, adoption, development and deployment of GenAI systems
* Leaders and decision-makers in organisations developing or deploying GenAI systems
* Responsible members of the accountancy profession and society

This guidance document is primarily focused on the following:

Guidance document	Description
Professional ethics in the use of GenAI	Guidance for professional accountants as end-users of GenAI systems, and their professional ethical responsibilities in terms of the SAICA Code of Professional Conduct.

The preparation of this guidance is underpinned by the understanding that people, not the technology, are key to digital transformation and realising the full potential of GenAI and other technologies. GenAI systems will only be as good as the people using them. Leaders and professionals need to carve out a clear focus on people to drive ethical use, effective adoption and meaningful value creation.

While there is varying research and thought leadership on the future and impact of GenAI, according to McKinsey's research titled *"Never just tech: Unlocking the full value of GenAI"*, the full value that GenAI could contribute to the global economy is estimated at $4.4 trillion annually and leaders should:

* Realise that technology alone does not create value.
* Make the right organisational shifts, including the workforce, capabilities and data quality.
* Be intentional, manage risk, and set entity-wide policies, best practices and tools.
* Not lose sight of the human side of technology – manage talent and invest in skills to foster trust among employees.

As a result of the various technology developments, and in line with the International Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants (IESBA), the SAICA Code has been revised, with the changes effective from 15 December 2024. Through these technology-related revisions, the accountancy profession is responding to the transformative effects of major trends and developments in technology on the accounting, assurance and finance functions, thus ensuring the profession's commitment to its public interest mandate, through a Code that is relevant and fit for purpose. The revisions also align with the Role and Mindset of the International Ethics Standards Board for Accountants (IESBA) as well as Non-Assurance Services (NAS) projects, and build on these recent changes, enhancing the robustness of the Code in a digitally transforming world. The revisions remain principle-based and consider all technologies, not only GenAI.

This guidance provides details on ethical concerns and challenges related to GenAI and is intended to enhance critical thinking, professional scepticism and judgement amongst professional accountants with regards to the use and adoption of GenAI, as well as to support them in discharging their professional ethical responsibilities in terms of the Code and making ethical decisions. The guidance extends the responsibility of professional accountants beyond that of end-users of GenAI tools, to strategic advisors, and owners of GenAI tools and business processes integrating large language model (LLM) capabilities, influencers of decisions and decision-makers (in their own right). In considering the provision of

non-audit services from an assurance point of view, the Code clarifies that this includes "designing, developing, implementing, operating, maintaining, monitoring, updating IT systems or IT controls and subsequently undertaking an assurance engagement on a statement or report prepared about the IT systems or IT controls". This demonstrates the broad potential of the accountancy profession's role within the GenAI ecosystem.

1. Ethical competence and professional responsibility

According to SAICA's competency framework, the professional responsibilities of its members and associates are centred on:

(a) the SAICA Code,
(b) personal ethics (including morality, values and ethical philosophies), and
(c) business ethics (considering both what is good for the business and what is good for others).

This is a more comprehensive approach to ethical responsibility, going beyond professional ethical conduct enforced through the Code. The Code remains instrumental to professional ethical conduct and the profession's responsibility to serve the public interest. The approach is the profession's recognition of changing times and the need to respond to varying challenges and dilemmas faced by professionals, thus intentionally incorporating personal values, attitudes, attributes and morals, together with business ethics (business ethical decision-making). Business ethical decision-making is a recognition of a business's responsibility to do good not only in the interests of shareholders, but also for other stakeholders (including employees, business partners, communities, society and the environment).

Through this "revamp" of ethical responsibility and competence, SAICA is equipping professional accountants with more well-considered and comprehensive ethical decision-making, to respond to the challenges of today.

Professionals are also expected to continue their **lifelong learning in line with the professional competence and due care** fundamental principle of the Code, engaging in self-development including in areas such as GenAI, remain curious, flexible and agile while exercising appropriate emotional intelligence.
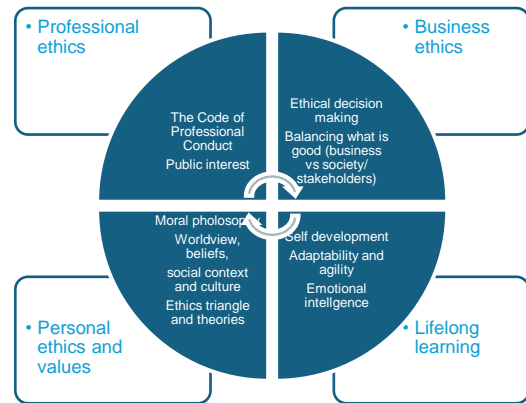

Figure 1: Ethical responsibilities of professional accountants in the advent of technologies such as GenAI in the context of SAICA's competency framework.

2. An overview of generative artificial intelligence (GenAI) and its use

Artificial intelligence (AI) is the theory and development of computer systems capable of performing tasks that historically required human intelligence, such as recognising speech, making decisions, and identifying patterns. According to the International Business Machines Corporation (IBM) – a multinational technology company headquartered in Armonk, N.Y – AI is the technology that enables computers and machines to simulate human learning, comprehension, problem-solving, decision-making, creativity and autonomy. The technology is trained to make predictions based on large datasets (calculating probabilities), thereby generating texts, pictures, videos and other content, without the need for explicit programming.

GenAI is a fast-developing branch of AI that uses the data it has been taught on, to produce new content or data instances (text, image, video, and audio output). It has gained significant attention recently due to the impressive capabilities of large language models (LLMs) and their ability to generate human-like content in response to prompts.

GenAI learns patterns from large datasets and creates new content using deep learning models. The models are trained on vast amounts of data to identify patterns and relationships, enabling them to generate new content that resembles the data they were trained on. What excites most users is the ability to, much like humans, produce new text, images, and videos. This is thanks to text generation models like GPT, and image creation systems like DALL-E.

GenAI has a wide range of applications across industries, including content creation, software development, healthcare, finance, entertainment, research, and product design. The rapid progress in GenAI has been driven by advancements in deep learning, the availability of large

datasets, and the development of efficient training algorithms.

While GenAI offers many benefits, there are also many concerns about potential misuse, such as the creation of deepfakes, copyright infringement, and the displacement of human jobs. There are uncertainties and ongoing debates regarding a number of these issues.

3. The growing use of GenAI and the accompanying concerns

There are many benefits for individuals and organisations associated with the adoption and use of the technology. Many argue that people who do not adopt or use the technology will be inefficient, become redundant and lose jobs to those who make use of it, while organisations that do not adopt it will lose out to competitors who exploit the technology. There is a strong argument for the technology to drive productivity and profitability improvements. The rapid adoption of GenAI technologies is also likely to create new markets and opportunities for innovation, resulting in substantial economic benefits. It is therefore imperative for professional accountants to be aware and upskill themselves in terms of GenAI technologies and the ethical use thereof to remain relevant.

Professional accountants should have a sound understanding of the many (underlying) ethical concerns, risks and uncertainties that come with GenAI. The anticipated benefits, economic growth opportunities and improvements in productivity due to the use, adoption and integration of technology into business processes are all the best estimates according to experts and research. Many things "could go wrong" and GenAI solutions becoming available may not be suitable for all environments. Professional accountants should be able to navigate the use of GenAI systems, leading by example in their environments and demonstrating their professional competence and due care. As trusted and responsible advisors, they will also guide others in the ethical use of GenAI and in managing risks. Without the profession's ethical use of GenAI, the profession will not be able to fulfil responsibilities to stakeholders and society, who will be looking to the profession to provide guidance and protection on grey areas such as governance, ethics, the impact on society, the realisation of value and the promises of the technology.

Ethical concerns surrounding GenAI

Ethical considerations surrounding GenAI are multifaceted and complex, raising significant concerns that users and organisations must be aware of or address within the ecosystem. Here are the key ethical concerns and considerations:

Harmful, misleading or offensive information	Used for deceitful purposes and fraudulent activity	Biases, discrimination and perpetuating stereotypes	Mathematics and algorithm-based (concern over human rights and values)
Inconsistencies, inaccuracies and hallucinations	Inexplicable, inherent unknowns and blind spots	Misinformation and disinformation	Over/unwarranted reliance or lack of objectivity
Job losses, displacements and social inequalities	Unintended consequences, negative impact on society	Competence, skills and proficiency	Privacy and confidentiality concerns
Legislative uncertainty and governance challenges	Lack of transparency and trust in systems (black holes/boxes)	Environmental impact (data centre use of water and power)	Balancing the influence of public and private sectors

Figure 2: Graphical representation of some of the more pertinent areas of ethical concern in relation to GenAI.

Risks, concerns and uncertainties

There are many reasons for a professional accountant to be sceptical about the use and adoption of GenAI, especially under the current global circumstances of a fast-paced, quick-changing, and uncertain landscape. Many organisations and individuals may adopt the technology and tools prematurely, without executable strategies or realisable value, and even without the necessary risk considerations and mitigation plans. The professional accountant may also make use of a GenAI system unethically, placing unwarranted reliance on it or use it where it is not fit for purpose. There are many unresolved "issues" that continue to surround GenAI and the broader AI technology. When using AI technology, professional accountants need to:

(a) Exercise their **professional scepticism (and judgement)**, maintain a questioning mind, be alert to possible misstatements of facts and critically assess available evidence in the decision-making processes.
(b) Be able to **sift through the hype** and diligently work through available evidence, obtaining an understanding of information related to GenAI systems, evaluate their integrity, and remain impartial as they thoughtfully work through this information, towards credible decision-making.
(c) **Recognise potential biases,** evaluate assumptions and other impediments when using GenAI to provide advice to stakeholders.

Professional accountants need to upskill (as necessary) and ready themselves to provide credible and reliable advice to employers, clients and stakeholders navigating these uncertain times to execute their professional responsibilities in an ethical manner. Some of the critical, unresolved issues that surround GenAI include the following:

(a) **The 'big" data challenge** – GenAI systems are trained on large volumes of data, often sourced from the internet and which may contain inherent biases and inaccuracies. Without accurate, credible and

quality data – the training and output of the system may also be inaccurate, biased or even inappropriate.

(b) **Model training and algorithm biases** – The training of LLM systems may not be assured (audited or certain) leading to model credibility concerns. Compounded with unreliable or biased input data, problematic algorithms, and the lack of accountability and explainability, LLMs may not always be fit for purpose.

(c) **Scepticism about the output** - Models operate on "autopilot" and simply predict the next word or sequence based on observed patterns. The systems aim to produce plausible content and not verified facts - accurate outputs (to an extent) are often coincidental.

(d) **The hallucination problem** – Users should be on the lookout when interacting with GenAI outputs, for possible hallucinations – where an LLM — often a GenAI chatbot or other tool perceives patterns or objects that are non-existent or imperceptible to human observers, creating outputs that are nonsensical or altogether inaccurate, highlighting the inherent limitations of GenAI, that professional accountants need to be wary of.

(e) **Misuse of sensitive, personal information** - Data used for training models may include sensitive personal information. This reliance on data raises serious privacy concerns for all stakeholders, particularly regarding how data is collected, stored, and used. There is a risk that user data could be exploited without appropriate consent or proper safeguards in place.

(f) **Vulnerability to security threats and attacks** - Using publicly available GenAI platforms poses a specific risk as the user may not know how their input and output information is used or kept by the provider, which could bring confidentiality and privacy of data into compromise. Additionally, the potential for identity theft through deepfake technology raises significant cybersecurity concerns.

(g) **Misuse of GenAI for breaches or malicious reasons** – There are concerns that GenAI can be used to create advanced malware and evasion techniques, phishing, social engineering and impersonation, reverse engineering and tools to bypass CAPTCHA. Input "prompt" information that a user inputs into the GenAI system may be used by the LLM or leaked, and thus professional accountants should understand and appropriately mitigate the risks related to use.

(h) **Lack of transparency** - GenAI systems often operate as "black boxes" meaning their internal workings are not easily understood by users or even developers. This contributes to a lack of transparency and raises concerns about explainability and accountability, especially when AI-generated outputs lead to harmful consequences. Professional accountants may struggle to understand how decisions are made, which can undermine trust in these technologies.

(i) **Misinformation and deepfakes** - The ability of GenAI to create realistic content raises concerns about misinformation and the proliferation of deepfakes. It can be used to produce misleading information that can damage reputations or manipulate public opinion. The difficulty in detecting such content exacerbates these issues, as professional accountants may be unable to discern between authentic and fabricated materials.

(j) **Regulatory frameworks** - Regulatory frameworks are struggling to keep pace with GenAI development. The fragmented nature of current regulations creates uncertainty for organisations looking to adopt GenAI responsibly, with the generation of new content by GenAI systems leading to complex questions regarding ownership and copyright. This uncertainty poses legal challenges for professional accountants, as existing laws may not adequately address the nuances introduced by generative technologies. This also creates plagiarism challenges in the generated content.

(k) **Uncertainties on long-term effects** - The long-term effects of widespread GenAI adoption on society remain uncertain. While there are potential benefits such as increased productivity and creativity, there are also risks such as job displacement and shifts in societal norms regarding trust and authenticity. The balance between these outcomes will depend on how organisations manage AI deployment, with the support of role players such as the accountancy profession.

4. Professional judgement and scepticism

There is increasing complexity in business environments and stakeholder expectations from accountancy professionals. Professional accountants must rely on their professional values, attitudes and acumen to deliver sustainable value to stakeholders. This means that while technical competence remains core to the work of the profession, focus is shifting towards areas historically considered less important and often referred to as "softer skills". As the profession navigates change, learns to cope with uncertainty and becomes increasingly agile and flexible – the traditional "softer skills" are becoming harder and more important.

One such area of increasing importance that professionals need to exhibit to manage concerns and uncertainties is **decision-making acumen**. This competency area refers to cognitive processes to decide on actions or between alternatives and includes

analytical/critical thinking, integrative thinking, problem-solving, judgement and decision-making and professional scepticism. While technology may not be the profession's core area of competence, there is an expectation that professionals have a sound understanding of digital technologies and can contribute to decision-making processes. This will enable the application of decision-making competencies such as critical thinking, problem-solving, and integrative thinking.

The Code recognised that the technology developments may bring about complexities that professionals may need to deal with. Professional accountants need to be aware and alert to complex circumstances related to GenAI and manage these situations by analysing and investigating relevant elements and variables of the situation, and consult others, including experts. Where professional accountants are confronted by complex situations, applied critical thinking will enable them to solve the problem, decide and find a way forward. To be able to do this, the professional is expected to conduct appropriate **research, investigate, critically analyse and reflect** on the situation, **breaking it down** into its different compartments and apply professional judgement to the evaluation of data and information from a variety of sources and perspectives.
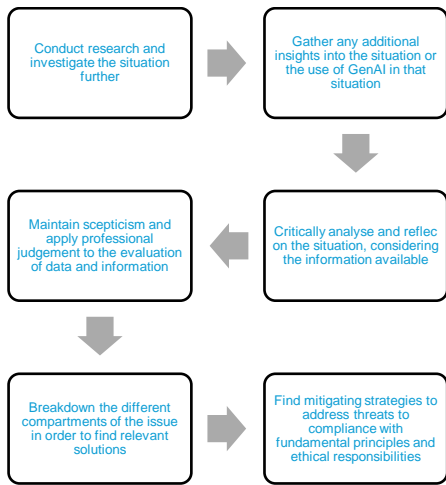

Figure 3: Applying professional scepticism and judgement to solving ethical dilemmas in the use of GenAI.

5. Governance and ethical decision making

Without effective governance guardrails, the success of GenAI is limited as there is **insufficient oversight at the top levels of organisations**. A comprehensive governance framework should articulate the organisation's vision for GenAI, ensure there is oversight and delegation of responsibility, to achieve strategic objectives, identify and manage risks, comply with relevant laws and regulations, and report on performance and progress. Importantly, effective governance and oversight ensure ethical conduct and practices are inculcated throughout the organisation, in its processes and culture.

In their use of GenAI, professional accountants should be cognisant of the overarching governance framework and ensure that their use is in line with this. The use should be in line with the ethical characteristics of integrity, responsibility, accountability, fairness and transparency that are recommended as part of good governance practices. Further, fairness, transparency and accountability are equally critical components of ethical GenAI governance, as professional accountants need to ensure that GenAI systems operate transparently, especially when decisions impact people, customers or the public. This includes establishing clear criteria for how decisions are made and providing mechanisms for people to understand how their data is used. Such transparency can assist with building trust among stakeholders and enhance reputations.

Professional accountants charged with governance need to continuously monitor and evaluate GenAI systems, to adapt to evolving ethical challenges. They should establish guidelines for **regular assessments to ensure compliance with ethical standards and mitigate emerging risks** while remaining responsive to new GenAI developments and regulations.

6. Professional ethical responsibilities in terms of the Code

Professional accountants in fulfilling their public interest mandate, are required by the Code to comply with the five fundamental principles of ethics, being:

- integrity,
- objectivity,
- professional competence and due care,
- confidentiality, and
- professional behaviour.

To effectively discharge their professional ethical responsibilities, professionals should apply the conceptual framework to identify, evaluate and address threats to their compliance with the fundamental principles with regard to GenAI, its use, adoption and deployment. Applying this conceptual framework requires having an inquiring mind, exercising professional judgement, and using reasonable and informed third-party tests. Where a professional accountant can effectively apply their decision-making capabilities (including their critical and integrative thinking, as well as problem-solving skills in addition to their professional judgement and scepticism), circumstances involving

GenAI can be successfully managed, and compliance with the fundamental principles maintained.

The Code recognises that professional accountants may have existing and established conditions, policies and procedures which can help them address threats that arise. In the context of GenAI – a new and emerging area of technology development – professional accountants need to have a sound understanding of the landscape, to be able to identify and address these threats to acceptable levels.

This guidance document provides detailed challenges and complexities that may be presented by GenAI to a professional, and a broader discussion on the ethical landscape, which is instrumental in ensuring compliance with the fundamental principle. Professional accountants must understand the complex and nuanced implications of GenAI systems and outputs for individuals, organisations and society in the quest to realise its value and potential benefits.

Pertinent threats to complying with fundamental principles

The use, adoption and deployment of GenAI creates different threats to the professional's compliance with the fundamental principles, which would need to be addressed. The complexities, concerns and uncertainties presented by GenAI may result in many of these threats being evaluated to be at unacceptable levels, requiring the professional accountant to implement mitigating controls, to reduce the threats to acceptable levels as required by the Code.

The world has seen significant investment of resources in GenAI (and AI in general), a trend likely to continue in the coming years. The quest to create or derive sustainable value through GenAI requires professional accountants to step up in their roles and to continue fulfilling their public interest mandate. This mandate, defined by the International Federation of Accountants (IFAC) as "the net benefits derived for, and procedural rigour employed on behalf of, all society in relation to any action, decision or policy", will see the profession playing critical roles to ensure robust, credible and trustworthy GenAI ecosystems are developed.

The current and future developments of GenAI, however, will present circumstances and situations that might create the following threats for the professional accountant when undertaking a professional activity:

Self-interest threat

- The underlying input data and GenAI system or LLM being used might not be sufficient, appropriate or credible for use by the professional, leading to undue and unwarranted reliance. The system may also not be fit for purpose, and due to a lack of transparency, the professional may not be able to make this determination. This could result in compromised quality, trustworthiness and credibility of the work and reports produced by the professional, a threat to their integrity, and the integrity of their work.

- Professional accountants may not have appropriate expertise, or access to an expert or recognise the need for an expert, to assist them to understand the workings of the GenAI system, to enable them to fulfil their professional responsibilities and to meet the expectations of their stakeholders. This includes in their own use, advisory and communication on matters of deployment, investment or other business decisions for GenAI systems or models.

- Professional accountants should not be associated with information or reports containing materially false or misleading statements or information. Placing undue reliance on GenAI outputs, which are known to sometimes be misleading, false and inaccurate due to concerns about the quality of the training data and the credibility of the LLMs, may be tantamount to providing information recklessly.

- While professional accountants may wish to gain an advantage from the potential benefits of GenAI for themselves, organisations, clients and stakeholders, they should recognise that this may represent a self-interest threat. The professional accountant may wish to pursue the benefits of GenAI, financial or otherwise (e.g. achieving productivity, saving costs, meeting deadlines, etc.). As the technology is characterised by challenges, concerns and uncertainties (outlined above), the professional accountant may be inappropriately influenced, as the benefits may not be realistic or possible for their own environments.

Self-review threat

- As trusted business advisors, professional accountants assist and support many organisations and their clients with services that include IT systems and internal controls consulting. The scope of work is increasing to include the adoption and deployment of GenAI systems. There may be instances where assurance providers, intentionally or unintentionally, assist in the design, development or deployment of GenAI systems they may later be involved in providing assurance on. This increases the possibility of professional accountants not appropriately evaluating the results of their previous judgement on GenAI systems. Such advice may include related services such as cybersecurity and governance.

- As a result of their familiarity with the GenAI systems deployed within client processes, or the market, professional accountants may be lax in their reviews of these systems and thus place undue reliance on

systems, controls and reports relying on GenAI systems and models.

- It is particularly important that professional accountants are wary of the possibility of the self-review threat in subject matter information, where they have provided advisory services to their clients that result in the production of such subject matter information.
- In considering the provision of non-audit services from an assurance and self-review perspective, the Code clarifies that this includes "designing, developing, implementing, operating, maintaining, monitoring, updating IT systems or IT controls and subsequently undertaking an assurance engagement on a statement or report prepared about the IT systems or IT controls."

Other threats and potential issues

- It is possible that a professional accountant may promote GenAI systems or LLMs to clients, employing organisations or stakeholders to a point that the professional accountant's objectivity is compromised. This is very possible due to the current GenAI frenzy (craze), with many owners of systems creating hype and vying for market share – that unrealistic claims about capabilities may be made. Professional accountants need to exercise their professional scepticism and critical thinking skills in their evaluation of facts around GenAI and in providing advice where required.
- Professional accountants may be inappropriately influenced by the GenAI frenzy created around GenAI and end up neglecting their professional responsibilities while trying to keep up with the trends and developments. Professional accountants may not exercise professional judgement and scepticism, in their interactions with GenAI systems and outputs.
- Familiarity with specific GenAI systems and models, particularly those that dominate the market or those used by professional accountants in their personal and professional environments may also cause them to neglect their professional ethical responsibilities.
- The GenAI frenzy and the pressure, actual or perceived, on professional accountants and organisations to embrace the systems and models to achieve productivity, creativity, etc., including the need to be seen to be keeping up with GenAI developments, may deter professional accountants from acting objectively and thinking critically about GenAI.

Impact on fundamental principles

Ethical considerations are already integral to the role of professional accountants and the Code's technology-related updates (effective 15 December 2024)

demonstrate the profession's commitment to ethical conduct, even with the advent of technology. The threats outlined above and potential issues arising from the increasing use, adoption and deployment of GenAI could compromise compliance with fundamental principles in the following ways:

Integrity

- Professional accountants must be transparent about their use of GenAI in their work. This includes disclosing when GenAI has been used to support analysis work and generate content or reports. This ensures that professional accountants remain truthful, straightforward and honest.
- Cognisant that GenAI systems may create unreliable outputs, can be biased and hallucinate, professional accountants shall ensure they are not knowingly associated with reports or other information that may contain materially false or misleading statement(s); are provided recklessly; or omit or obscure required information where such omission or obscurity would be misleading.
- Professional accountants should be cognisant of the lack of transparency associated with GenAI, which can lead to the above integrity issues. For example, if professional accountants rely on an AI-generated financial analysis without validating the data or understanding the model's limitations, they risk presenting inaccurate information to stakeholders.
- It is essential that professional accountants validate the integrity and credibility of the training data and algorithms used in GenAI systems and models, to ensure that the outputs are reliable and ethical. This may involve consultation with and reliance on the work of AI experts.

Objectivity

- As a result of the potential biases in training data and algorithms, professional accountants should be aware of the possible biases in GenAI outputs resulting from biased data or algorithms and ensure that their professional judgement is not unduly influenced while performing their tasks. Professional accountants should recognise the sources of training data and their potential biases.
- Professional accountants need to perform objective reviews of GenAI-generated outputs and mitigate risks associated with biases and ensure objectivity. They should exercise judgement without being compromised by bias, conflict of interest, undue influence of, or undue reliance on GenAI, and its owner organisations, or other factors.
- Professional accountants should also work to preserve ethical culture by mitigating the undue influence of GenAI within their teams and organisations. The influx of GenAI tools will require

more professional accountants to take on this responsibility, to mitigate a culture of accepting GenAI-generated reports without any question due to their authoritative presentation, thus failing to maintain the objectivity of the professional accountants, their teams or their organisations.

Professional Competence and Due Care

- It is imperative that professional accountants engage in continuous professional development (CPD) to understand the capabilities and limitations of GenAI tools and LLMs, as well as the integration of these into business processes and IT systems.
- GenAI is expected to drive notable business value and economic development in the coming years, and thus the individual competence of professional accountants may be linked to their understanding of these systems, in certain circumstances. Given the pervasive nature of these systems, all professional accountants need to reflect on their current and future competence and make meaningful strides to obtain and maintain GenAI knowledge and skills and keep abreast of ongoing developments and trends.
- Maintaining professional competence will require professional accountants to have a continuing awareness and understanding of technical, professional, business and GenAI-related developments relevant to their professional activities. This may require targeted learning and development interventions.
- In acquiring and maintaining professional competence, professional accountants must extend this to their team members, ensuring that they also have a sound understanding of GenAI systems, and models and have an impact on business processes and value creation.
- Professional accountants need to realise that GenAI systems can be very complex, which may increasingly bring their compliance with professional competence and due care under threat. For example, implementing a GenAI system for auditing, risk management, data analysis or reporting purposes without fully understanding algorithms or data sources would bring professional competence and due care into question. The system may generate erroneous outputs due to biased or unreliable training data, leading to the professional accountant producing poor quality work where they fail to identify errors or hallucinations.
- Understanding the limitations, concerns and uncertainties attributable to GenAI, it is imperative that where the technology has been used or relied on, professional accountants notify their clients, employers and stakeholders of the limitations

inherent in their outputs and work, explaining the context and implications of the limitations.

Confidentiality

- GenAI developments being trained of large datasets have increased the importance of data privacy, which sees legislative responsibilities for organisations keeping and processing personal information, which the professional accountant needs to be wary of but also may have responsibility for compliance with (or to support the organisation's compliance). In the South African context, professional accountants must be aware of the requirements of the Protection of Personal Information Act (POPI Act) and obtain necessary consent before any use of data. Professional accountants have an extra layer to be concerned about where untrustworthy, public GenAI systems or tools are being used, due to risks relating to data breaches.
- Professional accountants should specifically ensure that confidential information is not input into public GenAI tools that have not been vetted and where there are no service level agreements that guarantee the protection of data and personal information and include known data retention policies and compliance with data protection regulations.
- Professional accountants should ensure that there are established protocols and controls for securely handling sensitive data when using GenAI, ensuring compliance with legal and ethical standards.
- Due to the nature of their work, professional accountants are privy to confidential and sensitive financial and non-financial data. Professional accountants should never input client or employer data into GenAI tools for assistance with tasks unless necessary vetting has been performed on the tool as there could be unauthorised access or breaches, violating ethical obligations.

Professional Behaviour

- It is critical that professional accountants understand the legal framework(s) governing GenAI within their jurisdiction and globally. Professional accountants should be aware of and compliant with existing and emerging laws and regulations in the GenAI ecosystems, including intellectual property and data protection laws. South Africa has no specific (universal) law or regulation governing the use, adoption or deployment of GenAI, but has laws and regulations that govern activities that relate to GenAI systems.
- The primary laws that professional accountants need to be cognisant of in matters related to GenAI include the POPI Act, and the Cybercrimes Act which is meant to complement it. The cybersecurity aspects of

the then Bill (Cyber Crimes and Security Bill) were not signed into law in 2021 and thus the Cybersecurity aspects of the legislation are yet to be finalised into law. Once finalised, these will also impact GenAI.

- There are also industry or sector specific regulations (e.g. Health, Financial Services, etc.), which may need to be complied with in the use and adoption of GenAI. Legislation such as the Companies Act places specific responsibilities on company directors, the company secretary, audit committees (for example) – and these would extend to the use and adoption of GenAI where applicable.

- For those with organisations linked to the European Union (EU), the Artificial Intelligence Act (AI Act), in addition to the General Data Protection Regulation (GDPR) is a crucial law that needs to be complied with.

- Professional accountants should also be mindful of global GenAI legislative developments, especially where their organisations or stakeholders operate in those jurisdictions. While the EU has created a universal, risk-based AI Act, China, the United States (US), the United Kingdom (UK) and other countries each have their own approach to AI regulation.

- While working with GenAI and providing advice to clients and stakeholders, professional accountants should be mindful of the challenges, concerns and uncertainties that surround the technology and act in the public interest in their advice and use of GenAI (including the protecting stakeholders and society against misuses, biases, inaccuracies, etc,)

- Professional accountants should avoid over-reliance on GenAI outputs (without appropriate reviews) or GenAI systems especially when these could lead to significant harm or misinformation – as these could discredit the profession and bring it into disrepute.

- The ethical use of technology is paramount for maintaining professional behaviour standards. Misuse of GenAI can lead to unethical practices such as plagiarism or generating misleading content. A professional accountant may use GenAI to create material or content but fail to attribute sources correctly or check for originality. This oversight may breach copyright laws and reflect poorly on their integrity and professional behaviour. Another example is where a professional accountant generates outputs that appear at face value to be appropriate but may contain false or misleading information due to hallucination. This oversight could also discredit the work of the professional accountant and the broader profession, bringing it into discredit/disrepute.

Professional accountants should be mindful of their responsibilities in terms of the Code on matters of non-compliance with laws and regulations (NOCLAR).

NOCLAR refers to acts of omission or commission, intentional or unintentional, committed by a client or the professional accountant's employing organisation or by those charged with governance (TCWG), by management or by other individuals working for or under the direction of a client or employing organisation which is contrary to the prevailing laws or regulations. These laws include the POPI Act, the Cybercrimes Act, the Copyright Act, and for those with links to the **EU**, the Artificial Intelligence Act, in addition to the General Data Protection Regulation (GDPR). Be mindful of the different laws and regulations applicable in the different jurisdictions, noting the vastly different approach to AI regulation (for example):

- **China**: More centralised and rapid in legislative responses, with a strong focus on content control and ethical standards.
- **US**: Decentralised with a mix of federal guidelines and state-level regulations, emphasizing innovation and national security.
- **UK**: Pro-innovation and flexible, focusing on principles rather than prescriptive rules, with a central function to support regulatory efforts.

Mitigating threats to compliance with fundamental principles

Key to mitigating and addressing emerging threats to compliance with fundamental principles, professional accountants should consider the following:

- Obtain knowledge and understanding of AI developments, and GenAI in particular, and their impact on value-creation processes. This includes understanding the shortcomings and limitations of the technology.
- Understand data quality challenges and resulting output inaccuracies and biases. Note questions on the credibility of the LLM systems and outputs and the need for professional scepticism.
- Apply critical and integrative thinking skills when exercising professional judgement and scepticism on matters related to GenAI.
- Have an appreciation for the need to have a human layer to mitigate against GenAI shortcomings. This can include monitoring and accounting for GenAI systems or the simple review of outputs for inaccuracies, biases or inaccuracies.
- Develop working relationships and collaborate with others in project teams and experts on matters of GenAI where necessary.
- Advocate for organisation-wide GenAI learning, development and competence, to create a culture of awareness, competence and responsible use.
- Develop organisation-wide risk management and governance systems/structures, including

accountability structures and systems of internal control

The professional accountant should also take note of mitigating factors afforded by laws and regulations, organisational policies and procedures, professional standards and other sources.

7. Concluding remarks

The integration of GenAI into the work of professional accountants presents significant potential for enhancing efficiency and accuracy in processes. However, this technological advancement also brings critical ethical considerations that must be diligently addressed to ensure compliance with the fundamental principles of integrity, objectivity, professional competence, confidentiality, and professional behaviour. As individuals, organisations and governments navigate the complexities of GenAI, professional accountants need to lead by example in their use of GenAI and its integration into their business processes.

This guidance serves as a framework for navigating the ethical landscape of GenAI, promoting responsible and ethical practices within the profession. To realise the benefits of GenAI responsibly, professionals and organisations must create an environment conducive to ethical adoption and use. This involves encouraging a culture of transparency, accountability, agility and continuous learning – while placing ethical responsibilities at the forefront of decision-making processes. Implementing robust governance structures and applying professional judgement and scepticism, together with decision-making competencies (such as critical and integrative thinking and problem solving) is also critical in addressing potential risks and issues.

Disclaimer:

Every effort has been made to ensure that the information in this document is complete and accurate. Nevertheless, information is given purely as guidance with respect to the subject matter and SAICA will have no responsibility to any person for any claim of any nature whatsoever which may arise out of or related to the contents of this document.

The information provided in this document does not constitute legal advice and should be read in that context. Where the document suggests a particular view, such a view is based on SAICA's interpretation at that point in time, of the relevant laws, regulations, standards, codes and related pronouncements/ (as may be applicable).

SAICA has made every effort to include all pertinent facts and the latest information available on generative artificial intelligence developments, however, given the complexity and the fast-changing nature of technology and its use, it would be prudent for a member, associate or firm to exercise sufficient professional judgement and scepticism and consult appropriate experts for their circumstances. This document is not a substitute for any laws and regulations that are relevant to the business of any particular entity, or to a SAICA member or associate for purposes of performing a given engagement, or in relation to his or her role within an employing organisation. Furthermore, it is not a substitute for the Pronouncements of SAICA, the Independent Regulatory Board for Auditors (IRBA), as well as those issued by the International Ethics Standards Board for Accountants (IESBA) and the International Auditing and Assurance Standards Board (IAASB).

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In drafting the guidance document, the authors have referred to the following:

- The IESBA and SAICA Code of Professional Conduct
- IESBA-Technology-Initiative-Phase-1-Final-Report_0.pdf (ethicsboard.org)
- Technology-Landscape-Artificial-Intelligence-NAM-V1.pdf
- Technology: Ethics & Independence Considerations | Ethics Board
- Generative AI and ethics | ICAEW
- Recommendation on the Ethics of Artificial Intelligence - Legal Affairs (unesco.org)
- Final Pronouncement, Technology Revisions (Final - April 11)(Updated May 30).pdf (ifacweb.blob.core.windows.net)
- AI regulations around the world (techmonitor.ai)
- The Humans Behind Amazon's Just Walk Out Technology Are All Over AI - Bloomberg
- Never just tech: Unlocking the full value of gen AI | McKinsey & Company
- What Is Artificial Intelligence (AI)? | IBM

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