



# Potential Ethics Impact on the Behavior of Professional Accountants: Responsibility for Transparency and Confidentiality

## Introduction

This publication forms part of the [IESBA's Technology Working Group's Phase 2 Report](#), which documents the impacts of disruptive and transformative technologies on the work of professional accountants, and provides extensive analysis and insights into the ethics dimension of those developments.

Specifically, this publication explores the implications of innovative technologies such as artificial intelligence, blockchain, and cloud computing, as well as related issues such as data governance including cybersecurity, through an ethics lens with a focus on matters in relation to Responsibility for Transparency and Confidentiality, and provides insights into those issues and the questions they raise.

The Working Group comprises Brian Friedrich, IESBA Member and Chair of the Working Group; Vania Borgerth, IESBA Member; David Clark, IESBA Technical Advisor; Christelle Martin, IESBA Member; and Sundeep Takwani, former IESBA Technical Advisor.

The full [Phase 2 Report](#) also discusses the relevance and importance of the overarching principles and specific provisions in the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code) in laying out the ethics guardrails for professional accountants as they face opportunities and challenges in their work as a result of rapid digitalization.

This publication does not amend or override the Code, the text of which alone is authoritative and reading it is not a substitute for reading the Code and is not intended to be exhaustive and reference to the Code itself should always be made. This publication does not constitute an authoritative or official pronouncement of the IESBA.

## Potential Ethics Impact on the Behavior of PAs

The following sections of the report focus on the potential ethics impacts of technology on the behavior of PAs: competence and due care, objectivity, transparency and confidentiality, and independence. The Working Group acknowledges that many of the impacts raised by stakeholders during Phase 2 of fact-finding both reaffirm and underscore the outcomes from [Phase 1](#), thereby supporting the IESBA's [Technology ED](#). Other foreseeable impacts or concerns raised by stakeholders are new or extend the Phase 1 findings. These further impacts or concerns form the basis of the Working Group's insights and recommendations, detailed in [Section III: Insights and Recommendations](#), with respect to areas of potential enhancement to the Code and topics for non-authoritative guidance for the IESBA's consideration.<sup>1</sup>

## Responsibility for Transparency and Confidentiality

1. As trusted advisors, PAs bring credibility to information through exercising professional judgment and professional skepticism, among others. Given the increased level of uncertainty that comes with applying many emerging and disruptive technologies, in addition to the complexity of today's digital world overall,<sup>2</sup> the Working Group believes that it is important that PAs provide or communicate clear information in a straightforward manner to users of their services or activities about the limitations inherent in such services or activities,<sup>3</sup> and explain the implications of such limitations.<sup>4</sup> For example, this might include limitations of the technology employed, including the uncertainties inherent in it, related risks of unintended consequences, and the broader potential for ethics risks, including threats to a PA's compliance with the fundamental principles when employing such technology.
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2. Providing such transparency around the challenges that PAs face in their different roles enhances public trust. Nevertheless, the level of transparency that PAs should aim for needs to be appropriate in the context and must continue to be bound by the Code's fundamental principle of confidentiality, which requires a PA to respect the confidentiality of information acquired as a result of professional and business relationships.
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3. Stakeholders observed that achieving the appropriate balance between transparency and confidentiality has sensitive and complex consequences for PAs which entail professional judgment. For example, if a PA determines that disclosure of non-compliance of laws and regulations to an appropriate authority is an appropriate course of action, they should also consider whether there would be legal protection in the particular jurisdiction if the PA overrides the confidentiality terms of their employment contract – this might warrant seeking legal advice. In addition, stakeholders highlighted the importance of recognizing that maintaining confidentiality is different from “secrecy” or “silence,” which extends beyond professional confidentiality requirements. For example, stakeholders indicated that PAs need to have a clear “ethical rudder” to be aware of situations where information is deliberately controlled, withheld, or hidden to limit transparency under the premise of maintaining confidentiality.
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4. Specific to technology, stakeholders noted that fully transparent technology, such as open-source software, can allow company leaders to have greater trust in the technology. It was suggested that source code visibility allows organizations to have a competent team analyze the code and its functionality. This would then enable the team to implement appropriate safeguards to assess that the code continues to function as intended and that the potential risks of its not doing so are identified. Such visibility is seen as being similar to having access to a human team and interviewing them about their thought processes and decisions.
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5. Stakeholders also observed that once there is a “trusted” logo on a technology tool or system, trust reliance is created (see discussion on [Objectivity: Over-reliance](#)). Therefore, it was stressed that in order not to mislead stakeholders, and to uphold the fundamental principle of integrity, the “trusted” technology provider (which could be a large professional firm) should be transparent and disclose the scope of its involvement with the technology. For example, stakeholders noted that such transparency and related disclosures would be useful to understand because they have observed instances where firm logos were marketed prominently alongside certain technology company logos even though the involvement of the firm was limited to the completion of a “demo” of a very specific component within the whole technology tool.



6. Finally, it was noted that organizations have varying levels of disclosures around non-financial matters, risk and corporate governance, etc. Stakeholders warned that too much disclosure can have the effect of making such information less useful. Transparency is considered useful and deemed to add value where it supports relevant decisions made by users of the information. So, the goal should be to match disclosures with decision making in an effort to produce better, and not simply greater, disclosure.<sup>5</sup> This translates into PAs striving to be transparent, motivated by a desire and intent to inform users and decision makers, while not releasing confidential information other than as permitted or required by law, regulation, or technical or professional standards.



## Endnotes

- <sup>1</sup> In considering the Working Group's recommendations detailed in Section III of this report, the IESBA will, when prioritizing future projects and initiatives, also take into account and balance other considerations such as responses from the 2022 Strategy Survey, findings from its recently completed benchmarking initiative, its pre-commitments, and resources available.
- <sup>2</sup> [Supra note 133](#)
- <sup>3</sup> Paragraph R113.3 of the Code
- <sup>4</sup> See revisions arising from the [Technology Project](#).
- <sup>5</sup> For example, the IASB's current project on "Disclosure Initiative—Targeted Standards-level Review of Disclosures." *IFRS*, <https://www.ifrs.org/projects/work-plan/standards-level-review-of-disclosures/>.

## ABOUT THE IESBA

The International Ethics Standards Board for Accountants (IESBA) is an independent global standard-setting board. The IESBA serves the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The IESBA believes a single set of high-quality ethics standards enhances the quality and consistency of services provided by professional accountants, thus contributing to public trust and confidence in the accountancy profession. The IESBA sets its standards in the public interest with advice from the IESBA Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board (PIOB).

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