Navigating Ethics and Trust in the Age of AI

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How AI has changed the world

For the first time in the history of the Wimbledon Championship, all the tennis courts will use AI for line calls in 2025. It means no Human Line Judges. Automated voice calls will make instant decisions in Real Time.

Artificial Intelligence, or AI, is no longer just a futuristic idea; it is a reality that's changing the way we live, work, and connect with the world. At its core, AI refers to computer systems that can mimic human thinking, such as learning, understanding, problem-solving, and even creativity. Thanks to advances in deep learning and powerful computing, AI is now performing tasks that were once considered exclusively meant for humans.

One of the most remarkable developments in recent times is Generative AI, which is a branch of AI, capable of creating content like text, images, music, and videos simply by learning patterns from large datasets. This includes tools that can write essays, design graphics, compose tunes, or generate voices and video, all within seconds. Natural Language Processing, a part of this technology, helps AI understand and respond in ways that feel remarkably human.

With all this power, it's no surprise that people are calling for proper regulations to ensure AI is used responsibly. After all, with great potential comes the risk of misuse.

In the world of accounting and finance, AI is proving to be a game-changer. Technologies like machine learning and data analytics are now helping professionals automate routine work, analyze vast amounts of data, spot unusual patterns, and make better decisions. As a result, accountants can now focus more on strategic thinking and bringing real value to the table.

In fact, across many sectors, AI has shifted from being a luxury to a necessity.

In agriculture, for example, farmers are using AI-powered sensors, drones, and geospatial tools to monitor crops, increase yields, save costs, and even protect soil health. In healthcare, AI is helping diagnose diseases more accurately and deliver personalized care. Education is also benefiting from smart learning systems that adapt to each student's pace and style. And in finance, AI is streamlining operations and improving customer experiences.

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Even the devices we use every day are becoming smarter. The rise of AI-enabled PCs is bringing faster and more energy-efficient computing to our fingertips. Beyond laptops and smartphones, AI is also showing up in everyday gadgets like earphones that adjust to your mood, mattresses that guide you into better sleep, and smart glasses that help you remember people's names with facial recognition.

AI in India

India released the National Strategy for AI titled 'AI for All' in 2018. This strategy emphasizes AI as a key driver for Economic Growth and societal benefit, aiming to position India as a Global Hub for AI innovation.

The Indian AI mission aims to leverage AI technologies for the country's economic growth, governance, healthcare, education, agriculture, and other sectors. Initiatives under the AI Mission include-

a) **AI Kosha Portal** – a knowledge repository for AI resources

b) **AI Compute Portal** – to provide access to AI computing infrastructure

c) **AI Competency Framework** – to train and upskill public sector officials, and

d) **IGOT-AI (Mission Karmayogi)** – aimed at integrating AI into governance and civil services training.

Sarvam AI, the first startup chosen to build Indian AI models under the Indian AI Mission, recently released an indigenous open-source multilingual model.

OpenAI and the Indian AI Mission have signed an MoU to promote AI skilling in India with the launch of the startup's educational platform at OpenAI Academy in New Delhi.

The Boston Consulting Group (BCG) in a report titled India's AI Leap: BCG Perspective on Emerging Challenges stated that India has a growing AI ecosystem, with over 600,000 AI professionals, more than 700 million

internet users and a surge of AI startups, with over 2,000 launched in the past three years. India's domestic AI market is projected to more than triple to $17 billion by 2027, according to the report, making India one of the fastest-growing AI Economies globally.

In 2021, NITI Aayog published the Principles for Responsible AI. This document serves as a roadmap for creating an ethical and responsible AI ecosystem across various sectors. Subsequently, in 2023, the Digital Personal Data Protection Act (DPDP Act) was enacted. This legislation lays down a comprehensive framework for data protection & privacy.

The proposed Digital India Act is expected to replace the Information Technology Act, 2000, to address the challenges faced in the Digital & AI Sectors.

An Artificial Intelligence and Data Authority of India is proposed to ensure the responsible creation and application of AI.

Trust & Ethical Challenges in AI

i. **Bias and Fairness**

Artificial Intelligence is vulnerable to inherent human biases. AI models learn from data created by humans. Hence, human biases based on gender, caste, religion, and many other factors make their way into the AI models. It is critical for professionals to understand how biases manifest & implement measures to mitigate them.

ii. **Transparency and Explainability**

AI models, especially complex ones like deep learning, often operate as "black boxes," making it difficult to explain how decisions are made. For auditors and accountants, ensuring transparency is vital for maintaining client trust and complying with regulatory requirements. Techniques such as explainable AI (XAI) are emerging to address this concern.

iii. **Data Privacy and Security**

The use of personal information and vast data sets raises concerns about data privacy and unauthorised access to sensitive data. Robust regulations and ethical frameworks are essential for the development of AI.

General Data Protection Regulation (GDPR), a European Union law, focuses on data protection & privacy for individuals within the EU. The EU Artificial Intelligence Act (AI Act), adopted in 2024, is a comprehensive legal network for AI development & deployment within the EU. India has also implemented the ethical use of AI by formulating responsible AI frameworks, encouraging transparency, fairness, and accountability in AI systems, and promoting innovation that aligns with societal values and data privacy norms.

iv. **Deepfakes and Misinformation**

The proliferation of deepfake technology poses risks of fraud and misinformation. Professionals must stay vigilant and employ verification techniques to authenticate digital content. Recently, several deepfake videos have gone viral, contributing to a rise in scams by misleading victims into believing they are authentic.

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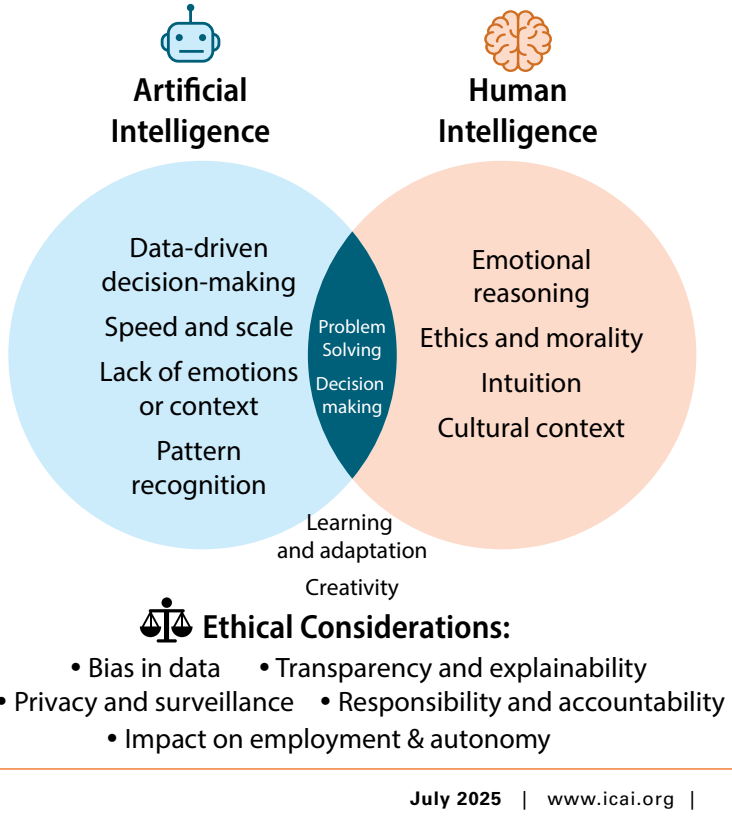
v. **Hallucination**

AI Hallucination involves AI creating information that does not align with reality or logical reasoning, despite appearing plausible.

The Former Chief Justice of India, D.Y. Chandrachud, stated "*Amid the excitement surrounding AI's capabilities, there are concerns*



regarding potential errors and misinterpretations. Without robust auditing mechanism in place instance of 'hallucinations – where AI generate false misleading information may occur."

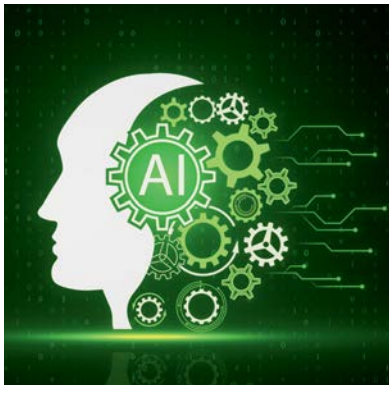
Interplay between Artificial Intelligence (AI) & Human Intelligence (HI)

As Artificial Intelligence becomes more of part of our everyday lives, the relationship between human intelligence and AI is beginning to look less like a competition, and more like a collaboration.

Humans are naturally intuitive, emotional, and creative. We can pick up on subtle cues, make decisions based on empathy, and understand things that aren't always black and white. AI, on the other hand, is great with data, spotting patterns, crunching numbers, and working tirelessly on repetitive tasks without losing focus. On their own, each has limits. But together, they can do incredible things.

Think about a doctor using AI to help diagnose diseases. The AI might scan thousands of X-rays in seconds and suggest possible concerns. But it's the doctor who talks to the patient, understands their fears, and decides what to do next. In that moment, the technology helps, but it doesn't replace the human.

Of course, this new partnership comes with big questions. Who's responsible when an AI system makes a mistake? How do we make sure it's being used fairly? Can we trust a machine to make decisions that affect our lives? These aren't easy issues, and they need real human judgment and ethics to solve.



Navigating Ethics by the Accounting Profession in the AI Era

Ethics in the context of the Chartered Accountants Act, 1949, is interpreted and enforced through the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI).

i. **Professional Misconduct:** Under Section 22 of the Chartered Accountants Act, 1949, the concept of 'professional misconduct' is introduced. This serves as the legal foundation for ethical behaviour expected from Chartered Accountants. The First and Second Schedules to the Act outline what constitutes professional misconduct.

ii. **ICAI Code of Ethics:** The ICAI Code of Ethics, which is substantially based on the International Ethics Standards Board for Accountants (IESBA) Code, lays down the following fundamental principles.

   a) Integrity

   b) Objectivity

   c) Professional Competence and Due Care

   d) Confidentiality

   e) Professional Behaviour

iii. **Why Ethics in AI Matters for Accountants**

Chartered Accountants play a vital role in society as they ensure financial transparency, protect stakeholders' interests, and uphold professional standards. As AI becomes part of audit tools, tax software, risk assessments, and business analytics, it's essential to ensure that these systems align with ethical values.

Just as we wouldn't accept flawed financial statements, we must not accept AI tools that are biased, opaque, or unaccountable.

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iv. **Ethical Principles for the Accounting Profession when using AI**

a. **Integrity and Fairness:** AI systems must reflect the same honesty and impartiality expected of CAs. If AI makes biased decisions, it undermines public trust. It's our duty to ensure fairness in every outcome.

b. **Transparency and Explainability:** Clients and stakeholders must understand how decisions are made, whether by a person or an algorithm. Ethical AI requires that we can explain how a system arrived at a recommendation or flagged a transaction.

c. **Accountability:** Just like auditors are accountable for their reports, professionals using AI must take responsibility for its results. It's not enough to say "the system said so." Human oversight must always be present.

d. **Confidentiality and Data Protection:** Accountants handle sensitive information. When AI systems process this data, we must ensure it remains secure, confidential, and is used strictly within ethical and legal boundaries.

e. **Professional Competence:** As AI tools become more sophisticated, so must we. Chartered Accountants need to stay informed, trained, and updated. Understanding how AI works helps us apply it effectively and ethically. The Certificate Course on AI conducted by ICAI as well as ICAI GPT, has played a stellar role in upgrading the AI knowledge of the Membership.

g. **Due Care and Human Judgement:** AI is a powerful assistant, not a replacement for professional scepticism or judgment. Especially in audits, valuations, and financial decisions, human insight remains irreplaceable.

h. **Inclusivity and Sustainability:** Ethical AI should serve all clients, big or small, local or global. And we must also be mindful of the environmental impact of digital tools, advocating for responsible and sustainable practices.

Trust in the AI Era

"Trust" refers to the confidence society places in Chartered Accountants due to their:

a) Professional integrity

b) Independence and objectivity

c) Competence and due care

d) Commitment to confidentiality

e) Responsibility to act in the public interest

David H. Maister, Charles H. Green, and Robert M. Galford, in their book **'The Trusted Advisor' define Trust as**:

T =(C+R+I)/S

Where;

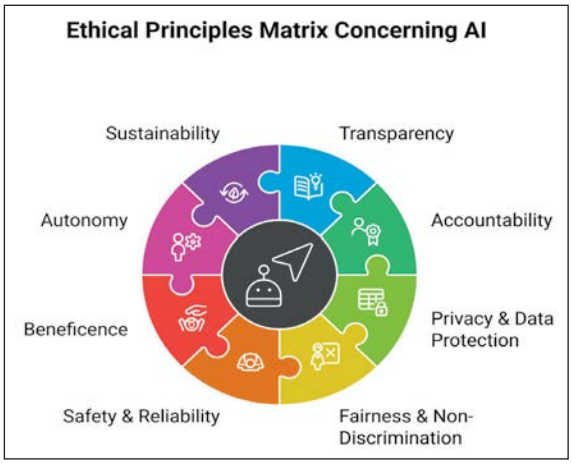
T= Trustworthiness

C= Credibility

R= Reliability

I= Intimacy

S= Self Orientation



> "Ethical principles must guide how we use AI so that we don't just build smart systems, but also fair, trustworthy, and responsible ones."

Trust isn't something that comes automatically with new technology. It's something that's built over time. And when it comes to AI, building that trust means being clear about how it works, making sure it's fair, and holding someone accountable when things go wrong. One of the biggest concerns people have is not knowing how AI makes decisions. A professional does not need to know every line of code, but we do need to understand the logic behind the outcome.

AI learns from data, and if that data is biased, then the AI can end up making unfair decisions. That's why the people building and using AI need to be careful, thoughtful, and constantly check for problems.

Trusting AI isn't just about trusting machines. It's about trusting the humans behind them. The developers who design them, the organizations that use them, the policymakers who regulate them, the educators who help us understand them & the accounting professionals who use them. All of them play a role in making sure AI is used ethically and responsibly.

AI is here to stay and is already transforming accounting. But no matter how advanced the technology becomes, the heart of the profession remains human. Ethical principles must guide how we use AI so that we don't just build smart systems, but also fair, trustworthy, and responsible ones.

Conclusion

AI's ability to automate tasks, improve accuracy, and provide data-driven insights has changed the accounting landscape. Humans, on the other hand, bring reasoning, creativity, and emotional intelligence to tasks that require judgment, decision-making, and social understanding. Hence, Artificial Intelligence (AI) and Human Intelligence (HI) need to work together to enhance overall performance.

AI is expected to transform & elevate the Accounting Profession & not replace it. The profession needs to adapt to the change.

Rather than fearing this change, the real opportunity lies in learning how to work with it – using AI to extend our strengths, not erase them. When humans and machines learn to think together, we can go further than either one could alone.

Artificial Intelligence is not a substitute for human intelligence; it is a tool to amplify human creativity and ingenuity.

Chartered Accountants are more than number crunchers - we are ethical stewards of financial truth. In the age of AI, our role expands: we must ensure that the technologies we adopt uphold the same ethical standards that define our profession.

By applying our values of Integrity, Objectivity, Professional Competence, Confidentiality, and Professional Behavior to AI tools, we ensure they work for people, not against them.

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