ICAEW
REPRESENTATION 60/21

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Geoffrey Thornton
Secretariat for AI Council
Office for Artificial Intelligence
Sent by email

Dear Geoffrey

AI STRATEGY SURVEY

The accountancy profession has a long history of applying sophisticated statistical models and techniques to big sets of data. There is also a long history of technological development by accountancy firms, working with large commercial technology developers. This has included consideration of the ethical, professional standards and legal questions arising from new uses of technology.

ICAEW represents more than 180,000 chartered accountants and students around the world, including in the world's biggest professional services firms. In this letter, we answer the most relevant questions to our membership from the AI Strategy Survey

4.b) What enables businesses, that have the necessary skills and knowledge, to understand and deliver value from using AI?

Based on the experience of our members, there are many elements which are needed, beyond pure technical skills, to deliver value from AI. These include:

- Access to very large sets of financial and other organisational data, collated over time, and the capability to clean and prepare it for use
- Industrial sector expertise and a deep understanding of the problems that AI can solve
- The expertise and technical capabilities to turn data into information that can then be applied to statistical models
- Human expertise and professional judgement required to test statistical models against informed expectations
- Risk management expertise – including to avert and remedy mistakes, biases etc
- Capital for investment
- Innovation and adoption capabilities that enable the use of AI to scale up beyond pilots and be used in a systematic way
- A clear strategy that joins up AI with other areas of digital transformation and automation

Furthermore, experience to date in professional services highlights that expertise and professional judgement remain at the heart of the use of AI. AI should be used to inform and guide rather than

make decisions, and humans must always remain in the loop. As a result, human expertise, professional judgement and consequent decision-making arguably become even more important, not less, in the age of AI.

7.b) Which steps can organisations take to build trust and transparency? And if there are no immediate steps, what else could be done?

There is a lot that organisations can do to build trust and transparency. This process starts with publishing ethics principles or frameworks that outline how an organisation will use AI systems in an ethical way, for example that the risk of bias will be addressed, and that individuals will be treated fairly and transparently. It is important that the implementation of such principles or frameworks are supported by proper accountability and mechanisms by which concerns or issues can be dealt with openly. There are also frameworks on explaining decisions, such as that by the ICO, which can help organisations define who needs to know what about how AI is being used.

Assurance over AI and algorithms can play an important role in demonstrating that systems are doing what they are supposed to do and build that trust. There are also a wide range of other steps that organisations can take, including controls and design principles, that can help here and are outlined in more detail in ICAEW's report Risk and assurance of emerging technologies.

To help build trust, it is important for regulators to keep up with changing risks caused by technology such as AI. However, there is no demand, or empirical evidence, to suggest that there is a need for specific new regulation of the application of AI in an area such as professional services. The accountancy profession is already very highly and advisory services, which account for up to 20% of the revenues of the UK's biggest professional services firms, are overseen by at least 18 regulatory and professional bodies. Therefore, the priority should be utilising existing regulatory structures to ensure that any new risks are dealt with in a proportionate manner.

Furthermore, professions such as accountancy have strong ethics codes which are embedded into qualifications, including ICAEW's ACA qualification. This is supported by ongoing guidance over ethical matters and disciplinary processes where issues arise. These mechanisms are core to building trust and such approaches could have wider application outside traditional professions.

12.b) What factors are most influential [in increasing buyer confidence and AI capability] and how best might they achieve this?

A big challenge for government is to support and enable SMEs to increase their knowledge and capabilities in AI (and in tech more generally). There are many SMEs, including some in professional services, who are hugely innovative and have built their businesses around digital technology. They are well placed to make good use of AI. However, there is a long tail of smaller organisations who are well behind in digital adoption and who need help, including financial or other support from government.

Based on our experience, some of the most important features are:
- Building stronger capabilities in SMEs around data and digital transformation and access to deeper expertise where needed
- Mechanisms to share knowledge with peers about specific applications or to build trust through eg, accreditation schemes

- Highlighting very specific use cases that are relevant to SMEs and can demonstrate tangible benefits quickly and easily
- Managing concerns about cyber security and having confidence about the security of data

It is important not to look at AI in isolation, though. AI needs to fit in with broader capabilities and knowledge around digitalisation – this is where the data comes from that underpins the AI. As a result, we need to start by helping SMEs digitalise and move into the cloud more generally as a steppingstone to more extensive use of AI. The UK government strategies on data and digitalisation are therefore an important connection point for this AI strategy.

15. What else would you like to communicate to the team developing the National AI Strategy?

ICAEW has warmly welcomed and enthusiastically participated in public-sector and private sector initiatives to support innovation in the application of AI to professional services. Professional services, including accountancy, law and consultancy, are a major part of the UK economy – and source of significant competitive advantage for the country. ICAEW members also work in wide range of business roles, ranging from FTSE board members to decision-makers in large private companies to small business founders. AI presents opportunities to all these sectors.

To support further adoption and innovation in the sector, ICAEW offers to co-organise and co-convene a work stream on the application of AI to professional services which would be part of the National AI Strategy.

This builds on a variety of relevant work by ICAEW. The Tech Faculty's 2017 report *Artificial Intelligence and the future of accountancy* was the one of the first by a professional body to consider the specific opportunities and threats of AI. In the Corporate Finance Faculty's 2019 report *AI in Corporate Advisory*, it listed 24 'advisory' specialisms that – in addition to traditional roles of accountancy, financial reporting, auditing and tax management – are likely to be changed by AI.

ICAEW has also been a very active contributor to the Next Generation Services pilot that is part of the Industrial Strategy Challenge Fund. This has included widely publicising the pilot in its early phases, acting as an official assessor for Innovate UK, being a member of the Advisory Group for the programme, supporting the activities of the AI for Services network and being part of the NextGenPS project run out of Oxford Brooks University.

In addition, ICAEW convened an Expert Consultative Group that was chaired by Lord Clement-Jones CBE, who was also co-chair of the All Party Parliamentary Group on AI (APPG AI) and former chair of the Lords Select Committee on AI. On 11 May 2020, the APPG AI and ICAEW jointly organised a parliamentary hearing and subsequently published a Parliamentary Briefing *Corporate Decision-making and Investment: best-practice guidelines for AI adoption*.