STANDARD SETTING

ETHICS SURVEY 2024

CPA

Hong Kong Institute of
Certified Public Accountants
香港會計師公會

MESSAGE FROM THE CHAIRMAN OF THE INSTITUTE'S ETHICS COMMITTEE

The HKICPA Ethics Survey is designed to understand the ethical attitude of professional accountants ("PAs") in Hong Kong and how the *Code of Ethics for Professional Accountants (Revised)* (the "Code") contributes to their performance of professional activities. The purpose of the survey is not for academic research, but to gauge HKICPA members' perspectives on ethics, allowing the Ethics Committee to identify areas requiring further actions.

The survey was first launched in 2019. It was subsequently conducted again in 2021 and most recently between January and February 2024. The survey link was distributed to all HKICPA members via email, and responses were collected anonymously to encourage open and honest feedback.

The Ethics Survey 2024 focused on PAs' ethical awareness regarding the use of technology in the workplace. It consisted of 14 questions which were categorized across various topics:

- **Technology ethics** aimed at understanding the ethics attitudes of PAs when they use technology and the outputs produced by technology for their professional activities.
- **General ethics** used some questions from the Ethics Survey 2021 to understand the general ethics attitude of PAs and ethical issues they face at work. These questions allowed for comparative analysis of PAs' ethical attitudes across time.
- **Demographic** questions to understand the profile of respondents.

The survey in 2024 received 139 completed survey responses. The respondents' views have been summarized in this report. We thank those of you who have taken the time to complete the survey.

The results of the survey will be used by the Ethics Committee to inform and evolve the Institute's ethics strategy and initiatives.

Maria Xuereb
Chairman, HKICPA Ethics Committee

HIGHLIGHTS OF ETHICS SURVEY 2024

❖ A majority of respondents used technology to connect with remote users at work, while a lower percentage of respondents employed advanced technology such as data analytics or automated tools to carry out their professional activities. However, less than half of them took steps to evaluate the quality and reliability of the technology output when using them at work.

❖ 40% of respondents faced ethical issues when using technology. The most common issues reported were privacy and data security.

❖ Regarding general ethics at work, ethical issues encountered by respondents were consistent in the 2024 and 2021 surveys. However, the 2024 survey notes an increase in the instances where PAs relied on information known to be overly optimistic.

❖ In 2024, respondents were more proactive in addressing ethical issues encountered, such as reporting them to management or using anonymous reporting channels.

❖ Knowledge of recent revisions to the Code remained low, with around 35% of respondents not aware of any updates to the Code in both the 2024 and 2021 surveys.

❖ The preference for online training methods to learn the Code like e-learning and webinars over in-person sessions continues.
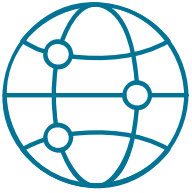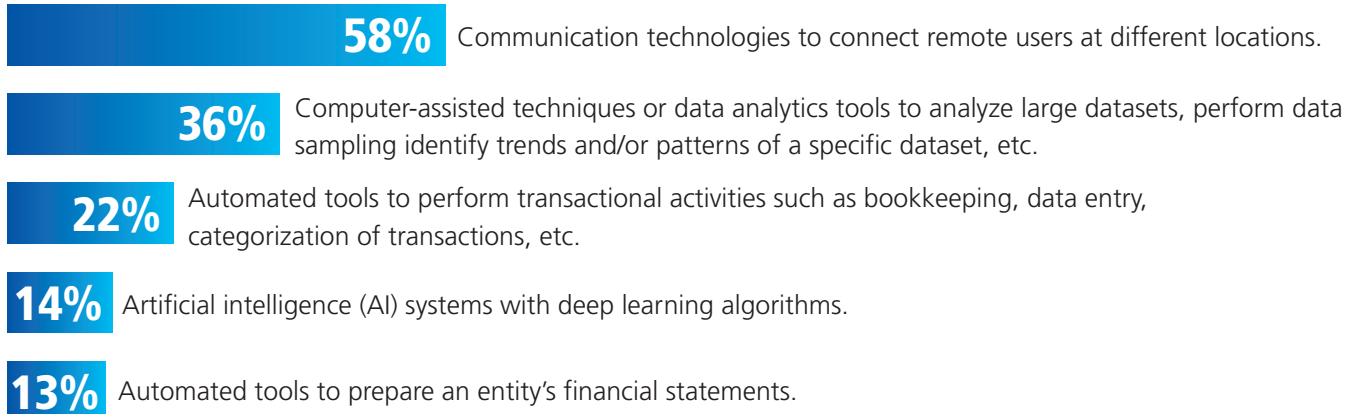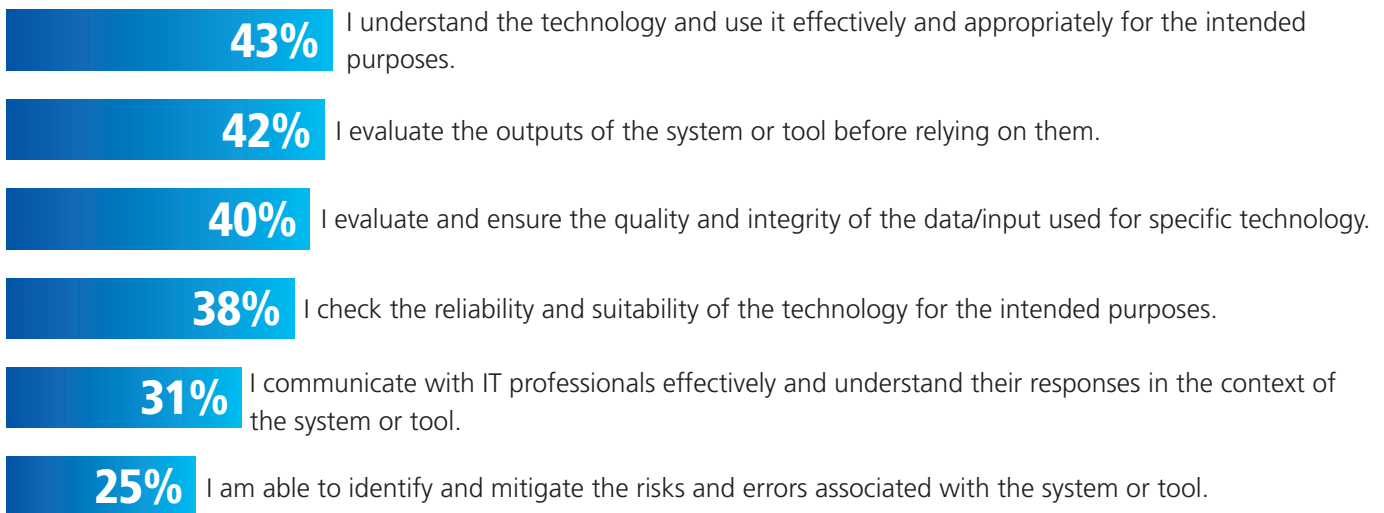
FINDINGS

1. PAs' use of technologies and their outputs to carry out professional activities at work

Within the last twelve months, have you used any of the following technologies and their outputs to carry out professional activities at work?

58% Communication technologies to connect remote users at different locations.

36% Computer-assisted techniques or data analytics tools to analyze large datasets, perform data sampling identify trends and/or patterns of a specific dataset, etc.

22% Automated tools to perform transactional activities such as bookkeeping, data entry, categorization of transactions, etc.

14% Artificial intelligence (AI) systems with deep learning algorithms.

13% Automated tools to prepare an entity's financial statements.

While a majority of respondents reported using communication technologies to connect with remote users at different locations (58%), the broader adoption of other technologies by PAs at work such as computer-assisted techniques or data analytics tools, automated tools and AI is moderate (13% to 36%).

How do you use technology and its outputs in your professional activities?

43% I understand the technology and use it effectively and appropriately for the intended purposes.

42% I evaluate the outputs of the system or tool before relying on them.

40% I evaluate and ensure the quality and integrity of the data/input used for specific technology.

38% I check the reliability and suitability of the technology for the intended purposes.

31% I communicate with IT professionals effectively and understand their responses in the context of the system or tool.

25% I am able to identify and mitigate the risks and errors associated with the system or tool.

According to paragraph R220.8, Chapter A of the Code, a PA who intends to use the output of technology shall exercise professional judgment to determine the appropriate steps to fulfill the responsibilities outlined in paragraph R220.4 of the Code on preparation and presentation of information.

Paragraph 220.8 A1 in Chapter A of the Code describes factors that PAs should consider when using the output of technology, such as the PAs' ability to understand the technology being used; the activity performed by and controls relating to the use of the technology; the appropriateness of the inputs to the technology.

However, the survey reveals that less than 50% of respondents demonstrate a proactive approach to ensuring the appropriate use of technology output in their work. The findings highlight the need for greater attention to risk management and error prevention in PAs' professional activities involving the use of technology.

2. Ethical issues that arise from PAs' use of technology at work

Within the last twelve months, have you encountered or witnessed ethical issues related to technology usage in your workplace?

Majority of respondents (60%) reported that they did not witness any ethical issues in their work environment related to technology usage.

For the smaller group that witnessed or experienced such issues,

Top ethical issues identified

1. Inadequate protection of privacy and security of data
2. Trusting the results or recommendations of the technology without verification
3. Using technology without the necessary knowledge or skills
4. Using confidential information for personal benefit

Safeguards that your workplace put in place to mitigate ethical threats arising from using technology at work

45% Establishing access controls and user authentication mechanisms to prevent unauthorized use.

19% Implementing clear and comprehensive ethical guidelines and policies for technology usage.

11% Providing regular training and awareness programs on ethical considerations related to technology.

5% Encouraging a culture of open communication and reporting to address ethical concerns related to technology.

4% Conducting regular audits and monitoring to detect and address any potential ethical violations.

16% None of the above.

More than two-fifths of respondents (45%) said that their workplace has set up access controls and user authentication mechanisms. This shows that many workplaces have a strong focus on security measures to prevent unauthorized use of technology and reduce the risk of ethical violations and breaches.

However, less than one-fifth (19%) of respondents indicated their workplace had established clear and comprehensive ethical guidelines and policies for technology usage. Even fewer (11%) said their employer provided regular training and awareness programs on the ethical considerations regarding technology. Most concerningly, 16% of respondents said that their workplace does not use any of the safeguards relating to the use of technology. The lack of such safeguards exposes these organizations and their employees to possible ethical breaches and misuse of technology.

3. General ethical questions

Top workplace ethical issues encountered by respondents in the last twelve months (for both the 2024 and 2021 surveys):

- Conflict of interest
- Relying on information that known to be overly optimistic in making judgements on accounting estimates
- Undue bias
- Manipulation of information, including fraudulent accounting or financial reporting; altering income, expenses etc.
- Distorting information by being overly optimistic in making judgements on accounting estimates, discount rates, impairments, going concern etc.

The top five ethical issues identified by respondents at workplace were consistent in the 2024 and 2021 surveys.

One notable change was the increase in instances where PAs relied on information known to be overly optimistic (2024: 35%; 2021: 23%). This trend might suggest a potential pressure for PAs to present favorable outcomes, or a shift toward a more optimistic bias in decision-making, which can compromise the integrity and reliability of professional judgments.

Top-ranked causes of workplace ethical issue(s) encountered

- Pressure from management
- Lack of ethics and compliance policies or monitoring procedures at the employing organization
- Insufficient ethical awareness at the employing organization

The top three causes of workplace ethical issues identified by respondents were the same in the 2024 and 2021 surveys. The findings indicate that although ethics policies/procedures and ethics awareness are crucial for ensuring ethics compliance, the influence of management is even more significant in causing ethical issues. This also indicates a tendency of different parties to override the relevant policies in practical situations. This tendency may be particularly pronounced in the ever-changing economic and global environment.

How was the ethical issue(s) encountered responded to?

Top three in Ethics Survey 2024	Top three in Ethics Survey 2021
1. Reported to the appropriate level of management of the employing organization	1. Did nothing
2. Anonymous reporting	2. Reported to the appropriate level of management of the employing organization
3. Did nothing	3. Resigned from the employing organization

The top two responses in 2024 revealed a notable shift towards a more proactive approach to ethical issues encountered compared to the responses in 2021. They stand in contrast to two of the top three actions which included "did nothing" and "resigned from the employing organization" in 2021, which were perceived as passive or avoidance actions without addressing the ethical issues directly at hand.

The increased prevalence of reporting ethical issues suggests that PAs are becoming more willing to take concrete steps to address ethical challenges at work.
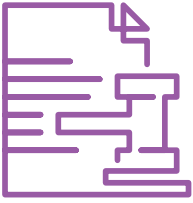
4. Code of Ethics for Professional Accountants

Which of the following revisions to the Code and their requirements are you aware of?

65% of respondents reported that they were aware of one or more of the following revisions to the Code:

- Revisions to the Code to promote the role and mindset expected of professional accountants
- Objectivity of engagement quality reviewers and other appropriate reviewers
- Revisions to the non-assurance service provisions of the Code
- Revisions to the fee-related provisions of the Code
- Quality management-related conforming amendments to the Code
- Quality management-related conforming amendments to the Code
- Technology-related provisions to the Code

35% of respondents reported that they were **NOT** aware of any of the revisions to the Code and their requirements listed on the left.

As of current date, the Institute offers e-learning sessions to cover recent revisions to the Code. They include:

- E-learning: Revisions to the Code to promote the Role and Mindset Expected of Professional Accountants
- E-learning: Revised Non-Assurance Services and Fee-Related Provisions of the Code of Ethics for Professional Accountants
- E-learning: The revised standard on group audit engagements, *which includes an overview on the Revisions to the Code relating to the definition of engagement team and group audits.*

What are your preferred channels for enhancing your knowledge and application of the Code?

Top three in Ethics Survey 2024	Top three in Ethics Survey 2021
1. E-learning attended at own pace and time	1. Live webinars
2. Live webinar	2. E-learnings at own pace and time
3. Short videos, leaflets and handy references*	3. Face-to-face trainings with interaction / discussion among the speaker(s) and participants

This option was not provided in the Ethics Survey 2021.

For both surveys, respondents demonstrated a clear preference for e-learning and live webinars over face-to-face training and self-directed study of the Code. This preference indicates a growing recognition of the convenience and effectiveness of online learning methods.

The shift towards digital learning platforms aligns with the evolving trends in education and training, leveraging technology to deliver impactful and accessible learning experiences.
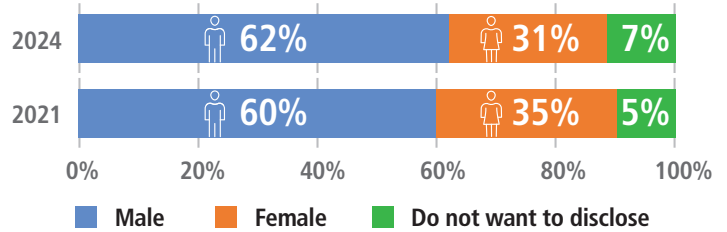
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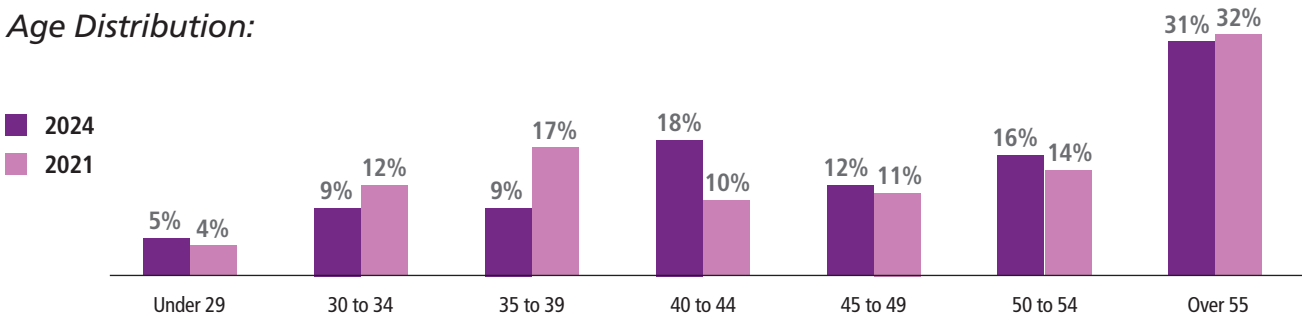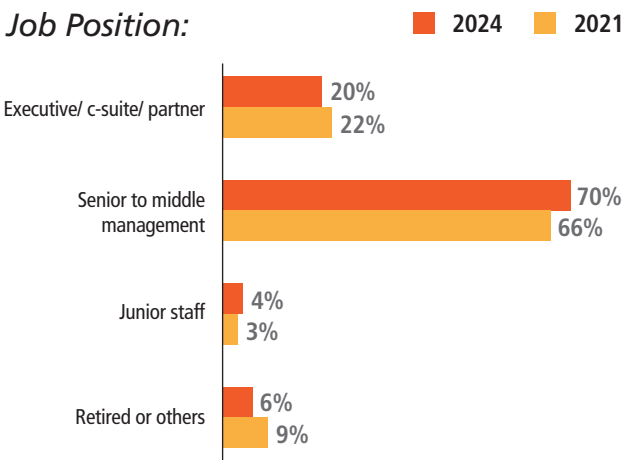
Completed responses received:

139

Gender Distribution:

	Male	Female	Do not want to disclose
2024	62%	31%	7%
2021	60%	35%	5%

Age Distribution:

2024 / **2021**

	Under 29	30 to 34	35 to 39	40 to 44	45 to 49	50 to 54	Over 55
2024	5%	9%	9%	18%	12%	16%	31%
2021	4%	12%	17%	10%	11%	14%	32%

Job Position:

2024 / **2021**

	2024	2021
Executive/ c-suite/ partner	20%	22%
Senior to middle management	70%	66%
Junior staff	4%	3%
Retired or others	6%	9%

Job Responsibilities:

2024 / **2021**

	2024	2021
In-house accounting and related functions	42%	41%
Auditing & assurance	29%	27%
Others	18%	20%
Advisory services	11%	12%
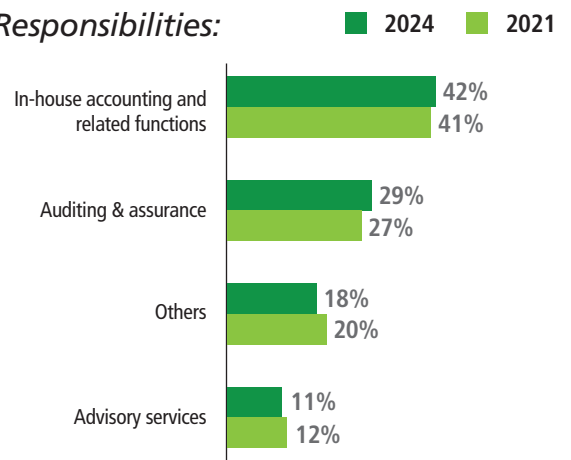
Nature of employing organization:

2024 / **2021**

	CPA firms with listed clients	CPA firms without listed clients	Compant listed in or outside Hong Kong/ multi-national corporation	Non-listed or privately-held company	Not-for-profit, charity, trade association	Government/ semi government/ regulator/ statutory body	Academia
2024	13%	17%	27%	30%	2%	6%	2%
2021	10%	17%	29%	32%	2%	4%	2%

Practising — CPA firms with listed clients, CPA firms without listed clients

Non-practising — Compant listed in or outside Hong Kong/ multi-national corporation, Non-listed or privately-held company, Not-for-profit, charity, trade association, Government/ semi government/ regulator/ statutory body, Academia

CONCLUSION AND WAY-FORWARD

The Ethics Survey 2024 shows an increasing reliance on technology by PAs to connect with remote users and perform various professional activities. It also sheds light on the ethical challenges and risks associated with their use of technology, such as privacy and data security concerns. The survey results call for PAs to exercise professional judgment and verify technology outputs when using them at work.

While top-ranked ethical issues at workplace were similar in the 2024 and 2021 survey, it is encouraging to see a more proactive attitude among PAs in dealing with ethical issues through reporting to the appropriate level of management or anonymous reporting, as opposed to a passive or avoidance stance noted in the survey in 2021 of "did nothing" or "resigned from the employing organization".

Following the findings in the survey, it is recommended that:

Firms and employers to:

❖ Strengthen ethical guidelines and provide comprehensive training on technology usage to help PAs or employees use technology effectively and deal with ethical issues that may arise.

❖ Strengthen ethics and compliance policies and monitoring procedures as counter-measures to malpractices at workplace.

❖ Implement access controls and user authentication mechanisms to protect data privacy, security and avoid unauthorized use of information.

The Institute to:

❖ Continue the effort to raise members' awareness of the revisions and requirements of the Code.

❖ Continue the provision of ethics-related trainings for PAs, including those related to the use of technology when PAs carry out professional activities.

PAs to:

❖ Enhance professional skepticism when using technology at work. When the output of technology is used or relied on, PAs should take proactive steps to ensure they are used appropriately and properly, for example, understand and evaluate the technology and data being used, and the output generated.

❖ Stay current of revisions to the Code and their implications on PAs' performance of professional activities.