

# Professional Ethics

CASE STUDIES IN DATA PRIVACY AND AI

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CONSULTING

# Contents

<b>Module 1: Introduction</b> .....	1
<b>Module 2: Case Study: Consent</b> .....	3
<b>Module 3: Case Study: Privacy Obligations</b> .....	5
<b>Module 4: Regulatory and Legislative Environment</b> .....	7
<b>Module 5: Case Study: Communicating Through Technology</b> .....	9
<b>Module 6: Case Study: Data Breach</b> .....	11
<b>Module 7: Artificial Intelligence: Overview</b> .....	12
<b>Module 8: Case Study: AI and Information Sharing</b> .....	13
<b>Module 9: Case Study: Social Media</b> .....	14
<b>Module 10: Case Study: File Transfer</b> .....	15
<b>Takeaways</b> .....	17

# MODULE 1

# Introduction

## Defining Privacy

Privacy has multiple definitions. Record them below. Do these definitions align with your own understandings of the term?

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## Notes

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# MODULE 2

## Case Study: Consent

### Facts of the Case

- ▶ A tax practitioner is invited by one of her clients to present at a tax conference.
- ▶ The tax practitioner wants to showcase tax return formatting changes.
- ▶ She takes pictures of the client's tax returns (personal and corporate returns) and includes those photographs in the PowerPoint presentation, without the client's consent.

What is your initial reaction to this case study? Do you need additional information to determine whether the CPA acted appropriately—and if so, what information do you need and why?

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Would redacting the client's personal information be sufficient for the CPA to have acted appropriately in this case study? Why or why not?

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## Confidentiality

How do you distinguish between privacy and confidentiality?

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## Notes

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## MODULE 3

# Case Study: Privacy Obligations

### Facts of the Case

- ▶ A practitioner has prepared tax returns for his sister and her businesses for years and has access to the records of his brother-in-law, with whom she co-owns a business.
- ▶ The husband is not the practitioner's client. The husband uses another partner at the practitioner's firm to prepare his personal and some corporate tax returns.
- ▶ The practitioner is preparing end-of-year tax returns for a client (a family) with a similar business as his brother-in-law.
- ▶ The practitioner's brother-in-law is out of the country on vacation and has limited communication options.
- ▶ The practitioner's clients' (the family) taxes are due, and he wants them to see what was done for his brother-in-law's tax returns because of similar tax issues.
- ▶ The practitioner calls his sister, tells her the issue, and says that he's going to use the brother-in-law's personal tax returns as an example.
- ▶ The practitioner doesn't contact the brother-in-law or the brother-in-law's service provider at the firm.
- ▶ He accesses his brother-in-law's personal and corporate tax returns and sends this information to the other client (the family).

What do you consider to be the most important facts in this case?

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What would the tax practitioner had to have done differently in order to have acted appropriately?

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## MODULE 4

# Regulatory and Legislative Environment

### Reflection Questions

What Canadian laws are most relevant to your privacy and confidentiality obligations as a CPA? Who are the key regulators?

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As a CPA, how can you stay informed about privacy-related legal requirements?

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## MODULE 5

# Case Study: Communicating Through Technology

### Facts of the Case

- ▶ A partner is working on a tax return with you and has to leave for the weekend. He asks you to send him the client's name, address, and social insurance number so he can complete the return.
- ▶ You have to use your personal phone because you do not have access to your firm's device.
- ▶ You don't know what security features are on your phone.

Where did you go wrong in this case?

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### Security Measures

What security measures does your firm have in place to protect clients' personal information? Remember, security measures can consist of **physical safeguards** (such as locks), **technological safeguards** (such as passwords and encryption), and **organizational controls** (such as training and non-disclosure agreements).

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## MODULE 6

# Case Study: Data Breach

### Facts of the Case

- ▶ An accounting firm developed a browser-based software service that it sold to clients for the preparation and filing of income tax returns online and through a mobile app.
- ▶ Hackers were able to gain full access to the accounting firm's accounts.
- ▶ The hackers used the information to steal identification details, which allowed the attackers to engage in identity theft by altering the bank routing and refund methods and to obtain tax refunds by filing fraudulent tax returns.
- ▶ The accounting firm was unaware of this hack until a user of the online filing service noticed suspicious activity on her account.

What consequences could the accounting firm face in this scenario?

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### Notes

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## MODULE 7

# Artificial Intelligence: Overview

### Your Experience

What experience do you have with generative AI tools? Have you ever used these tools in your work as a CPA?

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### Notes

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## MODULE 8

# Case Study: AI and Information Sharing

### Facts of the Case

- ▶ A vendor wants to test an AI tool with your firm's client data.
- ▶ You have an engagement letter with your client that states that the matter is top secret.
- ▶ There is no mention of the use of AI tools in your engagement letter with the client.
- ▶ The vendor is still testing its AI tool.
- ▶ If the AI tool works, you will be able to process tax returns much faster.

How does the use of AI complicate this case study? On the other hand, to what extent does this case study share core concerns with other scenarios we've discussed, regardless of AI's role?

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### Notes

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# MODULE 9

## Case Study: Social Media

### Facts of the Case

- ▶ An auditor is conducting an audit at a client location and decides to post to a social media platform with generative AI capabilities.
- ▶ The auditor posts about working on a file where there is misrepresentation in financial statements from the client’s lunch room.
- ▶ The post doesn’t include the client’s name.
- ▶ The social media platform’s generative AI capabilities allow it to pinpoint the client’s address and other distinctive features.

Why is it problematic for the auditor to post about the audit, even without mentioning the client’s name?

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### Notes

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## MODULE 10

# Case Study: File Transfer

### Facts of the Case

- ▶ An individual is involved in divorce proceedings, and his wife needs access to his financials.
- ▶ The wife's accountant is requesting the husband's financial information for the last two years of their marriage in order to prepare for a hearing.
- ▶ At the time of the disclosure, the accounting organization did not have an active relationship with the husband and was not his current tax accountant, but four years previously had provided some accounting services for him.
- ▶ The accounting firm transferred the entire file to the wife's accounting firm without contacting the husband.
- ▶ The file is sent via regular mail and is addressed to the wrong recipient.

Who is responsible if things go wrong during the transfer?

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Did the practitioner have the authority to transfer the entire file?

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## TAKEAWAYS

# Data Privacy and AI

- ▶ Confidentiality is the duty to protect information entrusted to you, while privacy relates to how information about an identifiable individual is shared.
- ▶ Always obtain consent before disclosing personal information or client confidential information.
- ▶ Consent must come from an authorized person. (It cannot come from a person's family member, for example, unless they are authorized.)
- ▶ Being an employee or partner at a firm does not give you the right to access information about a person who is receiving services from another member of your firm. You must have the person's explicit consent in order to access their information.
- ▶ As a professional service provider, you must monitor any regulatory or legislative changes that affect you or your clients, because you may need to develop new privacy compliance programs (including policies, procedures, consent forms, and training programs).
- ▶ Be sure that you have reasonable security on all of your devices. The more sensitive the information, the higher the level of protection required.
- ▶ Use secure, firm-approved devices when accessing, transferring, or working with client data.
- ▶ Follow firm policies and client requirements with respect to client data transfer.
- ▶ Implement information safeguards to control the risks to customer information from inadequate authentication.
- ▶ Ensure that your organization has a data security program and has service providers to assist in the event of a data breach.
- ▶ It is important for organizations to assess the risks that could jeopardize the integrity, security, and confidentiality of customer personal information when it is transferred to any third-party service provider, particularly AI providers.
- ▶ If an organization is transferring personal information to a third party, it must ensure through contractual or other means that there will continue to be an acceptable level of protection.
- ▶ Be aware of potential secondary uses of data when using websites or web-based tools with AI capabilities.
- ▶ The transferring organization is accountable for the information it transfers and should have contractual terms with its providers to reduce risk.