



Think Ahead



Response to UK government white paper

A Pro-innovation Approach to AI Regulation



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Forewords



Helen Brand OBE
Chief executive, ACCA

Not a day goes by without AI being in the news, and it features strongly in the public consciousness due to its potential to introduce both new opportunities and previously unseen risks. The release of the UK government's AI white paper has provided a timely opportunity to take stock.

As this paper notes, we're supportive of the overall pro-innovation approach, and the importance of multi-stakeholder feedback, such as capturing the voice of SMEs and the UK regions outside London. We also support the desire to build bridges internationally, which aligns strongly with ACCA's own global approach. We strongly endorse the explicit reference to the role of audit and assurance and related tools as a key part of the solution to ensure an AI ecosystem that is underpinned by ethical practices.

A flexible approach to manage the fast pace of new development can help – the current wave of generative AI, for example, has exploded quite recently. However, further, more prescriptive guidance may be needed to establish clarity on where accountabilities lie in some instances.

Overall, we see this as the start of a multi-year process and look forward to collaborating with and supporting UK government in this important endeavour in any way we can.



Professor Michael Mainelli
FCCA, Chairman, Z/Yen Group, Senior Independent Director, United Kingdom, Accreditation Service, Senior Alderman Below the Aldermanic Chair, City of London Corporation, and Head of the Ethical AI Initiative

The government's AI white paper lays out a proportionate and 'pro-innovation' approach to AI regulation. A British strength in regulatory frameworks has been a bias towards the use of industry or community 'standards markets', where industry standards and assurance processes provide 'accredited conformity assessment'. Standards markets based on proportionate and pro-innovation business ecosystems ranging from safe gas boiler supplies to fire prevention, aircraft certification, or shipping safety.

Standards markets should provide accreditation and certification such that people can place appropriate reliability on the assessed products and services. This paper notes the opportunity to use such standards, particularly existing ISO standards, for inspection and testing to provide appropriate assurance on AI products and services. This combination of minimal regulation with maximal use of standards markets can provide a middle path between two extremes: a completely unregulated approach leaving a tangle of confusion to the legal system and an overly regulated approach where nothing can move until permission is granted.

Those of us with decades of experience in the fields of AI have long recognised the need for standards. These ISO standards have not just 'popped out of the woodwork' due to recent media attention; rather they have been the result of years of concerted work to reach international agreements. This paper contends that it is now appropriate to push firmly towards their use in accredited UK conformity assessment.



Shawn Maher
EY Global Vice Chair – Public Policy

Driven by accelerating development and adoption of AI-enabled solutions, policymakers across the globe are confronting the challenges of formulating a regulatory approach to this rapidly advancing technology that will mitigate the potential harms of AI while simultaneously enabling its social and economic benefits.

The AI governance landscape is evolving rapidly and is likely to continue to be in flux for several years to come. Within this context, the UK government's AI white paper has proposed a 'pro-innovation' approach that focuses on the role of existing regulatory bodies in developing an AI regulatory framework underpinned by principles of responsible development and use.

Regulatory approaches to AI – if they are to be effective – must operate in a global market and be comparable across jurisdictions in order to ensure rules that mitigate risk and allow for responsible innovation and use. The UK's alignment of its AI regulatory principles with those of the OECD and G20 is an encouraging sign that it is committed to be a leader in efforts to develop sensible rules for AI's progress. We support this role and urge other nations to continue to work together to develop rules that are effective on a global as well as local basis.

For further information:



Narayanan Vaidyanathan,
Head of Policy Development,
ACCA



Dr. Ansgar Koene,
Global AI Ethics and Regulatory Leader,
EY

Executive summary

- ACCA's and EY's views are informed by our positions within the accountancy and business ecosystem.¹ Overall, we're supportive of the intentions expressed in this white paper – to avoid unreasonable regulatory burdens with a pro-innovation, risk-proportionate approach, to enable the UK to become a global AI innovation hub, and for the UK to lead on values-based, responsible AI deployment.
- Given the pace of change and new scenarios thrown up by AI, the approach appears well suited to dealing with 'unknown-unknown' AI risks. We are supportive of regulating outcomes rather than the technology itself. This aligns with the principles-based approach to regulation for the accountancy profession in the UK.
- We agree with the white paper's commitment to international cooperation – something we'd be keen to support via ACCA's and EY's own substantial international networks.
- We welcome the specific emphasis on considering the role of AI across all regions and nations of the UK and see the potential for AI to drive economic opportunity in support of levelling-up across the UK.
- We are highly supportive of the role noted for effective oversight tools, and of audit and assurance, for supporting the long-term sustainable development of the AI ecosystem. We believe that the accountancy profession has a key role to play in driving trusted, ethical AI.
- There are also aspects to consider to enable the ambitions of the white paper to be realised.
 - a. The government will not put its cross-cutting principles on a statutory footing initially but has left the door open for doing so later. So there could be a considerable delay in deciding on the final approach. Organisations value regulatory certainty. It would be helpful to reduce the period of uncertainty about whether there will be mandatory requirements or, instead, reliance on self-regulation or guidance. A long, uncertain wait delays upskilling and preparation for future compliance, particularly for small and medium-sized enterprises (SMEs), which will be less likely to commit cost, time or effort without certainty.
 - b. Issues of accountability, ethics and trust require careful consideration, particularly in the absence of a designated entity responsible for AI oversight. The current approach may well be workable, but stakeholders would benefit from additional support to help them navigate the different bodies relevant to their AI compliance obligations.
 - c. The concept of central support functions could be effective and innovative but would benefit from further detail on how these will be implemented in practice: how they will be resourced, the mechanism through which they will gather inputs from market participants, and how they will be coordinated across sector regulators.
- d. It would be good to understand if there is any thinking within government on the need for more prescriptive requirements that build on the white paper principles. Some regimes are, of course, taking a more prescriptive approach. This doesn't necessarily make that the preferred choice, but the risk to consider is that UK organisations operating across boundaries default to the most prescriptive regime across their regions of activity – for operational ease and to reduce risk of non-compliance. The consideration here is that this might inadvertently make UK organisations rule-takers of other regimes.
- e. In a context-specific approach to regulation, existing sector regulators will need to provide their own guidance on the use of AI. While it is good to learn from those with greater expertise, it would be helpful to have an explanation of how the proposed approach would support less-mature sectors as they upskill on AI.
- f. There is a huge difference between the capabilities, resources and requirements of the large technology companies and those of SMEs. The white paper's approach is to carry on within existing regulatory ambits, but this needs care to avoid – despite best intentions – entrenching power imbalances. Those holding customer channels, access to training data and research budgets may tend increasingly and irreversibly to pull away from the pack. Consideration is needed to avoid creating monopolies and stifling the very innovation that is sought. It is also important to be sensitive to blind spots in innovation, because truly disruptive – as opposed to incremental – change often comes from SMEs and AI is ripe for exactly this type of transformative change.
- g. Leaders across business, from board level downwards, are at the early stages of clarifying where legal liability would reside in relation to AI systems. It would be helpful, possibly via the central support functions, to provide a forum for sharing and examples on this.
- h. It would be helpful for further policy work to set out the government's view in relation to the environmental impact of AI, for example, its measurement, monitoring, or mitigation of harm. This is particularly needed as foundational AI and generative models drive ever-higher complexity, data and energy consumption. There are also social considerations, particularly jobs displacement, which are important for responsible deployment of AI.

¹ ACCA is thriving global community of 241,000 members (accountancy and finance professionals) in 178 countries and regions, of which almost 100,000 are in the UK. Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Recommendations for policymakers

- **Act fast on the detail.** AI is rapidly developing; it is the subject of intense media interest and is prominent in the public consciousness. Conversations on AI regulation are constantly evolving with regimes around the world working quickly to locate their place in the debate. It is critical that the details are fleshed out as soon as possible to operationalise the white paper's approach.
- **Align internationally, coordinate domestically.** ACCA's and EY's stakeholders operate internationally and, while they acknowledge geo-political factors, they would welcome as much harmonisation as possible across regimes to support interoperability. This reduces costs, complexity and risk. At the same time, it is vital to avoid the fatal flaw of allowing major issues to fall into the gaps between the accountabilities of different sector regulators, or their duplicating the same preparatory work.
- **Seek multi-stakeholder feedback and involvement.** AI uses citizens' data, directly or indirectly, and its outputs affect these citizens' lives. It is imperative that its development trajectory is not informed by a narrow inner coterie of influencers. Those across the regions of the UK, across all socio-economic levels, all sectors/industries and in SMEs as well as larger organisations, need to be involved.
- **Champion an ecosystem for trustworthy AI.** It is necessary to create/reinforce pathways for sharing of knowledge, tools and experience. The accountancy profession has skills for assessing risks and controls, frequently faces scenarios requiring ethical judgement and seeks to uphold the public interest. An environment that leverages and proactively involves the mature UK accountancy sector (eg education and awareness aspects of the central support functions, partnering to share key messages internationally) would bolster its global reputation as a trusted home for responsible AI.



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