AGENDA PAPER

Item Number:	7
Date of Meeting:	4 December 2025
Subject:	Update on project to review APESB Pronouncements for Sustainability and AI

[x]	**Action required**	[x]	**For discussion**	[ ]	**For noting**	[ ]	**For information**

Purpose

To update the Board on the project to review APESB Pronouncements for Sustainability and AI.

Background

In July 2025, APESB issued an Amending Standard to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), Sustainability Assurance and Reporting and Use of External Experts (the Sustainability Amending Standard). The amending standard is effective from 1 January 2026, with a later implementation date of 1 July 2028 for provisions related to value chain components.

At the September 2025 Board meeting, the Board approved the release of a new compiled Code which incorporates the restructured Code (issued in November 2018) and the eleven amending standards issued to July 2025, including the Sustainability Amending Standard.

Principle-based provisions in the Code relating to technology took effect on 1 January 2025. The amendments ensure that the Code continues to guide Members' ethical use of technology in a responsible manner, and that fundamental principles are upheld. The Board have been monitoring the impact of technological developments on the accounting profession, including the growing use of Artificial Intelligence (AI), and considering the impact on APESB pronouncements.

At the September 2025 Board meeting, the Board agreed to review the suite of APESB Pronouncements, including APES 200 and APES GN 20 series (Agenda Item 7) and the APES 300 and APES GN 30 series (Agenda Item 8). This project aims to review the APESB Pronouncements to ensure they remain consistent with the latest Code and Amending Standards, including any implications arising from Sustainability and Artificial Intelligence (AI).

Matters for Consideration

Since the September Board Meeting, APESB Technical Staff commenced desktop research and stakeholder engagement to consider the impact of Sustainability and AI on APESB pronouncements, with an initial focus on forensic accounting and valuation services.

The purpose is to determine whether revisions are required to APES 215 *Forensic Accounting Services* (APES 215) and APES 225 *Valuation Services* (APES 225), or whether guidance materials are needed to support Members in navigating the associated ethical challenges. The outcomes of this research, including insights gained through stakeholder engagement, are set out below:

(i) Impact of Artificial Intelligence (AI)

APESB Technical Alert on the ethical use of AI by professional accountants

On 31 October 2025, APESB issued a Technical Alert on the ethical use of AI by professional accountants, promoting awareness of the new principle-based provisions of the Code relating to technology, that took effect on 1 January 2025.

The Technical Alert emphasises that accountants must continue meeting their ethical obligations under the Code when using AI. The Technical Alert outlines key ethical considerations, including:

- Be mindful of the extent of its use and avoid undue reliance on or undue influence from AI, which can hallucinate and present convincing but inaccurate answers;
- Remain responsible for the analysis, the underlying professional judgment, and the outcomes of the professional activity;
- Having an inquiring mind to critically assess and verify any information used or produced, which includes AI-generated information;
- Supervise and review the use of AI; and
- Making appropriate disclosures of the use of AI.

Desktop research on the impact of AI

Technical Staff have conducted desktop research to identify guidance on the use of AI. A summary of the guidance from relevant professional bodies, standard setters and regulators is set out in Agenda Item 7(a) – Table 1 (for forensic and valuation services) and Agenda Item 7(b) (for the accounting profession in general).

The research highlighted the ethical challenges associated with AI, making it clear that AI cannot replace human judgment and that accountants must consider ethical considerations when using it in their work.

In particular, the guidance from professional bodies (CA ANZ and ICAEW) recommends their members apply the IESBA Code's fundamental principles when using AI, as outlined below:

- *Integrity* – to validate the integrity of model inputs and operation, and to implement independent reviews, as the AI tools lack human judgment and require human oversight.
- *Objectivity* – to avoid automation bias and overreliance on AI, especially possible bias or inaccuracies in the outputs used.
- *Professional competence and due care* – to maintain awareness of generative AI deficits, and exercise professional scepticism when reviewing the AI-generated output.
- *Confidentiality* – to consider the privacy and confidentiality issue when using public generative AI tools, and compliance with data protection laws.
- *Professional behaviour* – to be aware of possible AI hallucinations and the legal frameworks around the use of AI, such as data protection, intellectual property, employment, and other specific regulations in jurisdictions.

Technical Staff note that the Victorian Legal Services Board require lawyers to apply similar considerations as set out in the Statement on the use of AI in Australian legal practice.

Lawyers using AI are required to maintain client confidentiality when using commercial AI tools, to limit their use to lower-risk tasks that can be easily verified, and to ensure transparency by disclosing their use to clients.

Based on the research undertaken, the Technical Staff's initial assessment is that the AI-related ethical considerations from other jurisdictions are closely aligned with the APESB's Technical Alert on the ethical use of AI by professional accountants.

NSW Supreme Court Practice Note on the use of generative AI

On 28 January 2025, the NSW Chief Justice issued *Supreme Court Practice Note SC Gen 23 – Use of Generative Artificial Intelligence (Gen AI)* which applies from 3 February 2025. Technical Staff note that in relation to Expert Reports (also covered in APES 215:

- The Court prohibits the use of Gen AI to draft or prepare the content of an expert report (of any part of an expert report) without prior leave of the Court (paragraph 20); and
- If an expert witness obtains prior leave to use Gen AI, they must then disclose it in the report (paragraph 22).

Technical Staff research also identified similar practice notes and guidelines issued by other courts. Refer to the research findings at Agenda Item 7(a) – Table 1.

At the time this Agenda Paper was written, apart from NSW, no other state has released court practice notes prohibiting the use of AI. Technical Staff will continue to monitor any developments relating to these court rules.

In November 2025, Australia's Chief Justice warned that the Australian judiciary has entered an "unsustainable phase" amid the rise of AI use in litigation, in which judges have become "human filters" for arguments generated by machines. The Chief Justice identified AI as one of the greatest risks to "public confidence" in the judicial system amid reports of lawyers using generative tools to submit fake case citations. Refer to the article from The Australian (dated 22 November 2025) set out at Agenda Item 7(c).

In light of the court's warnings on AI, Technical Staff consider it important to raise awareness among forensic accountants of the use and disclosure of AI in the delivery of forensic accounting services.

Feedback from CPA Australia's Forensic & Financial Investigations Discussion Group

On 29 October 2025, as part of the APESB's annual ethics update, Technical Staff engaged with the CPA Australia's Forensic & Financial Investigations Discussion Group (FFDIG). The FFDIG offered insights into recent developments in court rules regarding the use of AI in expert evidence. The following matters were raised:

- While AI can improve efficiency in performing work-related tasks, it also introduces risks to confidentiality and potential hallucinations.
- The use of AI is prohibited by the NSW Supreme Court Practice Note (as noted above) when preparing expert reports and their attachments.
- Concerns regarding the interpretation of court practice notes within an accounting environment, as it seeks to interpret in the context of forensic accounting.

The FFDIG also raised the possibility of updating APES 215 to provide guidance on the use of AI in line with court practice notes.

Technical Staff noted that APES 215 is a principle-based professional standard that does not explicitly refer to any jurisdiction's court practice notes. This is also to avoid frequent revisions to APES 215 when new court rules are introduced, or existing ones are changed.

On 26 November 2025, Technical Staff attended the FFDIG discussion group meeting that focused on the impact of AI on forensic accounting. The following matters were raised:

- There may be confusion about AI, not just being generative AI. Apart from ChatGPT, there is a range of AI tools available.
- AI and technology are tools to be used at work. However, professionals are ultimately responsible for the integrity, judgements and accuracy of their work and output, including expert witness reports and statements.
- The FFDIG agreed that there are significant efficiency gains that can be realised if organisations and individuals can embrace technology in an ethical way.
- Having an IT, AI and technology expert involved to assist in the process is important, as practitioners are not experts in this area but rather end users.
- There is a need to understand how technology works, and care needs to be taken with inputs inserted into any AI or technology tools that replace human action. It was agreed that incorrect inputs will yield inaccurate outputs.
- Peer Reviews are an important Quality Assurance (QA) tool and can help ensure the integrity of reports, statements and output is maintained.
- To prevent unethical use of AI, law enforcement and government agencies need to embrace the use of AI as early as possible, with appropriate guardrails to foster responsible use of AI.

Notably, the FFDIG considered that it might be better for APESB to provide further guidance and examples through guidance material rather than through changes to APES 215.

Technical Staff noted the following key themes from the discussion:

- There is a need for stronger guidance around the definition of AI. There may be confusion between generative AI (e.g., CoPilot, ChatGPT) that produce AI-generated responses, and traditional technology tools (e.g., OCR tools) used to extract data from documents.
- Consistent court rules across Australia are needed, given differences in various jurisdictions. For instance, the NSW Supreme Court has more restrictive rules on the use of AI than other states.
- There is a need for guidance materials to provide case examples that would assist Members to better understand their ethical obligations when using AI and technology.
- AI and technology are tools that can be used, but they do not replace human oversight and require validation and review of inputs and outputs. Members are ultimately responsible for the quality of their work and adherence to standards, including APES 215, APES 110, and other rules and obligations such as court rules.

The FFDIG decided to gather feedback from members who use generative AI tools in their organisations, and will share this information with Technical Staff. This additional feedback will be included in the update to the Board at the March 2026 Board meeting.

Stakeholder engagement with industry experts in forensic accounting and valuation

In November 2025, Technical Staff met with industry experts in forensic accounting and valuation who were involved in developing the professional standards APES 215 and APES 225. Key considerations noted from the discussions include:

- AI tools are useful for research; however, it is important to do reasonableness checks and fact-checks, as the references they provide may be inaccurate or nonexistent. Practitioners should maintain professional scepticism rather than solely accepting AI-generated outputs.
- Where AI is used extensively, practitioners should disclose a statement of use to the clients and courts. Stakeholders also drew attention to the NSW Supreme Court Practice Notes' prohibition on the use of AI in expert reports.
- Practitioners should be reminded of their obligation to verify all factual assumptions underlying AI-generated outputs in the manner in which an expert has written them. These cover the formulas and underlying data used in the back end of AI tools.
- Practitioners must have the necessary professional competence and be equipped to use AI properly; otherwise, this may risk relying on incorrect advice produced by AI. In particular, an expert has an obligation to lay out their reasoning when providing an opinion, so the Court can understand the basis for the conclusion reached.
- Keeping information confidential and out of the public domain by using one's own in-house AI software rather than public tools.
- Using AI is similar to using the work of an expert or outsourced provider to support practitioners in the delivery of professional services. As such, the Code provisions relating to the use of external experts and APES GN 30 *Outsourced Services* may be relevant.

Stakeholders note that APES 215 and APES 225 are principles-based. Despite technological changes, the foundation of the accounting profession has not fundamentally shifted. The standards are clear in the fundamental principles that Members must comply with, noting that Members are ultimately responsible for the work and outputs they deliver.

Similar to the FFDIG, stakeholders also recommended developing guidance materials to reinforce ethical obligations and promote awareness of responsibilities when using AI. Given the rapid pace of technological development, it may not be practical to revise pronouncements regularly as the technology evolves if the principles are sound.

(ii) Impact of Sustainability

The Code's Sustainability ethical provisions for valuation services

The Code sets out the requirements and application materials for Members to apply the conceptual framework when undertaking non-assurance sustainability engagements.

Section 220 *Preparation and Presentation of Information* addresses the collection of information from suppliers within the value chain; the methods, metrics, and estimations used to measure information; and the exercise of professional judgement to assess the impact of business transactions and activities.

Subsection 5603 *Valuation and Advisory Services on Forward-Looking Information* is a tailored non-assurance services (NAS) provision for Members providing valuations or advisory services on forward-looking information to a sustainability assurance client.

Desktop research into the impact of Sustainability on forensic accounting and valuation

In relation to valuation services, Technical Staff research identified two sets of ESG guidance (as set out in Agenda Item 7(a) – Table 2):

- The Integration of ESG in Valuation Practices – IVSC Global Survey 2024 was issued by the International Valuations Standards Council (IVSC) in January 2025. One key challenge noted is the need for enhanced professional development to equip professionals with the skills to integrate ESG considerations into their work effectively.
- Collaborative guidance ESG Guidance for the Business Valuation Professionals 2025 issued by Valuation Professional Bodies with support from IVSC in July 2025, helps businesses in complying with the new sustainability reporting standards and requirements when gathering ESG information during the valuation process.

As at the date of writing this paper, Technical Staff have not found any specific guidance on the impact of sustainability on forensic accounting services.

Technical Staff will continue to monitor for developments in guidance for these services and will consider their impacts, if any, on related APESB pronouncements.

Way forward

The proposed way forward for this project is for Technical Staff to continue undertaking broad stakeholder engagement, including consulting with professional bodies, regulators, firms and the relevant Taskforces, and seeking stakeholder feedback on the impact of Sustainability and AI on APESB pronouncements. Technical Staff will provide a further update to the Board in the first half of 2026.

Staff Recommendation

The Board:

(a) note the outcome of the desktop research and stakeholder engagement performed by Technical Staff; and

(b) provide feedback and comments on the progress to date and the way forward.

Material Presented

Agenda Item 7 (a)	Desktop Review – Impact of AI and Sustainability to forensic accounting and valuation services in other jurisdictions
Agenda Item 7 (b)	Desktop Review – Impact of AI to the accounting profession in other jurisdictions
Agenda Item 7 (c)	Australian article, *AI use in courts not sustainable: judge*, 22 November 2025

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Date: 27 November 2025