

# The Ethical Imperative: Why AI Demands More of Professional Accountants

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# A Guiding Principle for AI Use

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*This becomes critical when AI lacks transparency*

# Principle vs Practice: “What the Best AI Users Do Differently”



## The KPMG/UT-Austin Study

- 2,500 employees, 1.4 million AI interactions
- Broad range of AI tools
- Eight months of usage data
- Across employee levels

## “Sophisticated Use”

- Ambitious in approach
- AI as a reasoning partner
- Clear objectives and task specification
- A cognitive copilot, not a productivity shortcut



## Widespread Adoption ≠ Widespread Sophisticated Use

- 90% Adoption
- 5% “sophisticated users”

# Ethicality Requires Clarity: AI Reasoning Technologies



Reasoning Technology	Challenge	Professional Implication
Rule-Based	Rules may be incomplete or outdated	Accountants must validate rule logic
Traditional Statistical Machine Learning	Model bias from training data	Accountants must validate data quality & model assumptions
Deep Learning Neural Networks	Cannot explain individual predictions	Accountants are unable to validate why system decided something
LLMs	Generates plausible-sounding falsehoods. Explanations can lack veracity	Accountants must independently verify outputs <i>(Need for friction vs. explanation)</i>

# Ethicality Requires Clarity: AI Use Cases



Function	Challenge	Professional Implication
Prediction & Classification	Appropriateness of assumptions and training data	Accountants must assess assumptions and understand the data
Anomaly Detection & Monitoring	False positives and false negatives, across contexts and in dynamic environments	Accountants must contextualise AI and its outputs in changing environments
Pattern Recognition & Relationship Discovery	Correlation vs. Causation	Accountants must provide meaning: Data storytelling
Document Processing & Information Extraction	Extracting structured information from unstructured or differently structured sources	Accountants must monitor and review
Recommendation & Prioritisation	Technological dependence: overreliance	Accountants must be accountable
Explanation & Narrative Generation	Hallucinations and overly confident statements by LLMs	Accountants must review and independently verify

# Professional Challenges: Obligations and Implications



Obligation	Tension	Challenge	Implication
Integrity	Honesty vs. Opacity	Can accountants honestly represent AI outputs they do not fully understand?	Must disclose AI limitations; cannot present outputs as professional judgment without validation
Objectivity	Independence vs. Deference	Can accountants maintain independent judgment when deferring to AI?	Must actively challenge AI recommendations; cannot allow AI to exert undue influence
Competence & Due Care	Expertise vs. Automation	Can accountants use AI to perform tasks outside their expertise?	Must maintain domain expertise and AI literacy
Confidentiality	Protection vs. Exposure	Can accountants protect client data when using third-party AI systems?	Must maintain visibility and control over data; must have contractual protections
Professional Behaviour	Standards vs. Innovation	Can accountants use AI while complying with laws and professional standards?	Must ensure AI systems comply with regulations and standards; must be transparent about AI use

# Research MythBusters: Real Risks in “Outsourcing” to AI

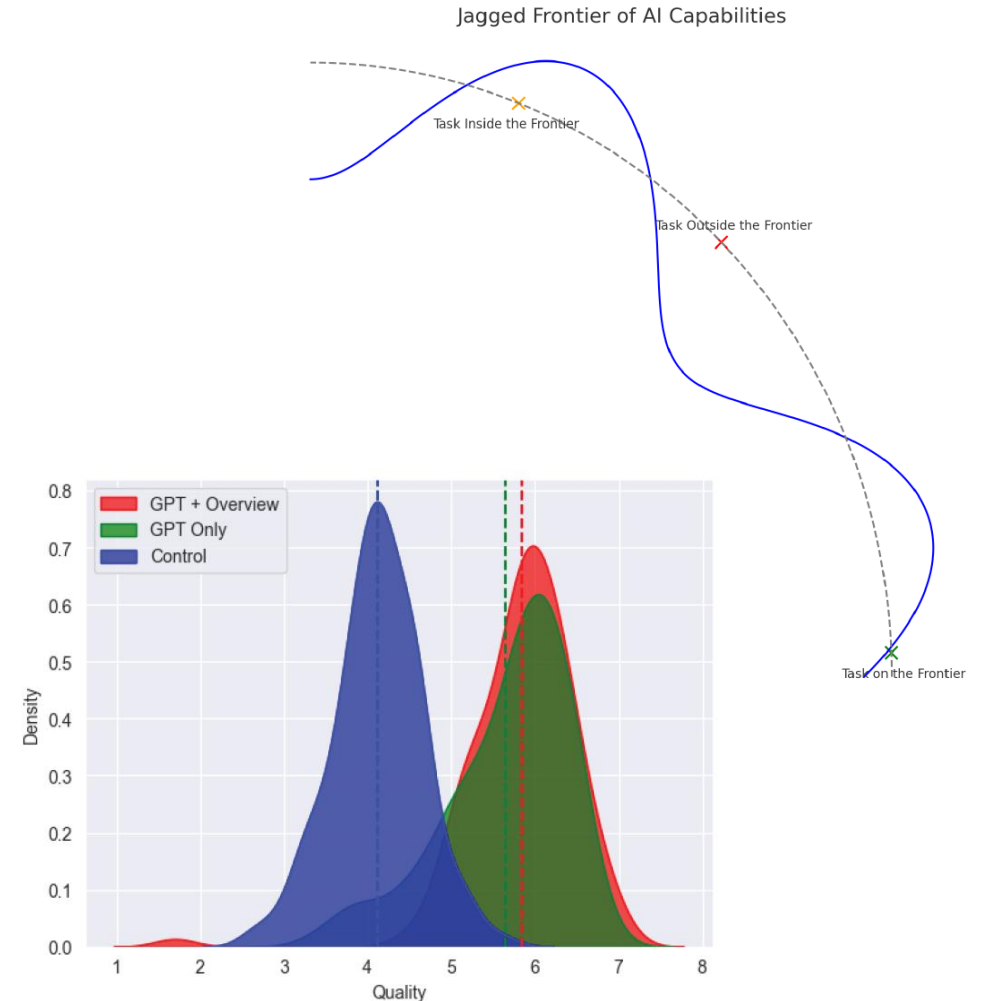


## Myths of AI Objectivity and Productivity

- “AI is neutral and unbiased”, but:
  - Models can be invalid
  - Training data can have hidden biases
- “AI enhances efficiency and productivity”
  - Benefits vary across tasks: The Jagged Frontier
  - Gains may be competed away

## Myths of AI as a Substitute for Expertise

- “What I don’t know the AI will know”
  - AI use can harm critical thinking
  - AI dependence can lead to skill and competency erosion
- “The AI told me ....”
  - Accountability is a Human responsibility (You can’t “blame” the AI)
  - Human-in-the-loop vs Human-on-the-loop



# The Paradox of AI: Ethical Intensification



## Traditional Accounting:

- One Accountant, one judgment, one point of accountability (a straw man simplification)

## AI-augmented Accounting

- Algorithm + Human Oversight + Vendor + Audit Committee + Regulator  
= **Distributed Responsibility!**
- Each layer adds additional ethical questions
  - Did we validate the algorithm/model/data/assumptions?
  - Did we rely on the AI because it was better or cheaper?
  - Can we trust the vendor?
  - Do we have effective AI governance from the board?
  - Who bears the reputational and legal risk?



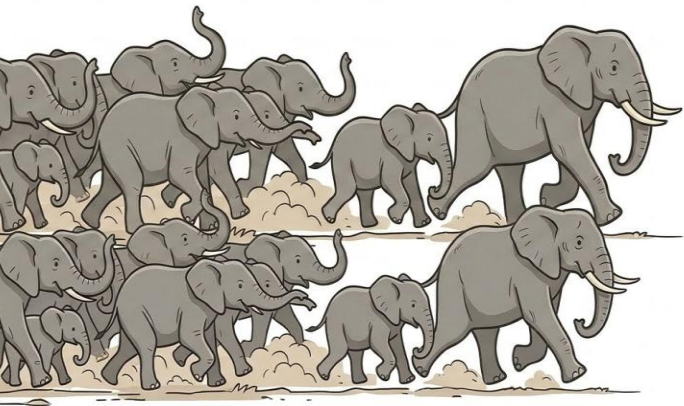
***Greater Ethical Complexity = More Need for Professional Judgment***

# Agentic AI: The Stampeding Ethical Elephant



Agentic AI systems can carry out multi-step actions autonomously without the need for step-by-step prompting. They are likely to dramatically change the way we work.

(Davern, M. & I. Someh, "AI threatens to eat business software", The Conversation, 12 February 2026)



Dimension	AI	Agentic AI
Initiation	Human requests action	Agent initiates action toward goal
Scope	Single task	Multiple sequential tasks
Decision-Making	Predefined rules/models	Agent decides what to do next
Autonomy	Low (humans decide)	High (agent decides within bounds)
Learning	Static or batch retraining	Continuous learning from feedback
Accountability	Clear (human decides)	Diffuse (agent decided autonomously)
Predictability	Varies by AI	Lower (agent may take unexpected paths)
Failure Mode	Wrong answer	Wrong action taken autonomously

# Agentic Autonomy vs. Accountability



Scenario	Accountability Challenge
Agent makes wrong decision	Did the agent's reasoning fail, or did the human set unclear goals?
Agent takes action outside intended scope	Did the agent misunderstand its boundaries, or did the human fail to specify them clearly?
Agent learns from bad feedback	If a human corrects the agent incorrectly, and the agent learns the wrong pattern, who is responsible for downstream errors?
Agent interacts with other agents	If Agent A's action causes Agent B to take a harmful action, which agent is responsible?
Agent operates in grey area	If an agent takes an action that is technically within its authority but ethically questionable, who bears responsibility?

# From Ethics to Governance & Assurance Issues

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## AI Governance

- Managing rapidly changing technologies and regulatory lag
- Balancing organisational responsibility and individual professional obligations for ethical AI use
- Managing conflicts between organisational context and professional obligations
- Establishing the role of the professional accountant in shaping AI Governance

## AI Assurance

- What is the role of the accountant in assuring that AI does what it is supposed to do?
  - Risk Assessment
  - Business process and control system design
  - Validating data
  - Validating models, algorithms, and processes
  - Data Storytelling
- How much AI upskilling is needed for accountants?
- How do professional accountants engage with other relevant specialists in carrying out AI Assurance

# Q&A

