[Draft] APESB Guidance on the use of Artificial Intelligence in forensic accounting services and valuation services

Introduction

This publication was developed by the Technical Staff of the Accounting Professional & Ethical Standards Board (APESB) to assist Members when they use Artificial Intelligence (AI) in providing:

- Forensic accounting services under APES 215 *Forensic Accounting Services* (APES 215); and/or

- Valuation Services under APES 225 *Valuation Services* (APES 225).

applying APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

The publication is intended to reinforce existing ethical requirements and promote the responsible use of AI. The guidance in this publication is principles-based and tool-agnostic, focusing on applying ethical principles rather than the features of particular AI tools. Consistent with the Australian Government National AI Centre description of common types of AI, references to AI used to assist a Member in performing a professional activity in this guidance include:

- Generative AI (GenAI) which creates new content based on prompts or examples;
- Machine learning which analyses data to find patterns and make predictions, including forecasting trends, detecting unusual activity or support decisions;
- Automation tools that are built into existing business software;
- Agentic AI, which are systems that work towards a goal rather than a single task or prompt. Agentic AI can act independently, using other software tools or systems and can complete multi-step tasks;
- Computer vision AI, which analyses images or video; and
- Natural language processing, which allows systems to understand and analyse written or spoken language.

This publication includes illustrative examples that demonstrate how the principles of the Code, APES 215 and APES 225, as applicable, apply in practical forensic accounting and valuation scenarios. The scenarios are hypothetical and any similarities to actual events or circumstances are merely coincidental. The illustrative examples are intended solely to illustrate the application of the Code and other APESB pronouncements and to help Members understand the ethical requirements and responsible use of AI. The illustrative examples do not provide a guide to applying any particular legislation.

Background

Technological developments, including artificial intelligence (AI), are reshaping the way Members perform their professional activities. When using AI, Members are required to continue to meet their ethical obligations under APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). On 31 October 2025, APESB issued a Technical Alert: *The ethical use of artificial intelligence by professional accountants*. The Technical Alert highlighted that, when using AI, Members must continue to meet their ethical obligations under the Code and that the Code's technology provisions uphold the fundamental principles of integrity, professional competence and due care, confidentiality and professional behaviour.

New 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, including AI tools, in a responsible manner and that fundamental principles, such as integrity, professional competence and due care, and confidentiality, are upheld. Compliance with the ethical principles outlined in the Code will help mitigate the risks associated with using AI.

AI offers numerous benefits, including faster analysis, predictive insights and automated reporting. For example, the International Valuation Standards Council (IVSC) in their July 2025 Perspectives Paper *Navigating the Rise of AI in Valuation: Opportunities, Risks, and Standards* noted the following areas in which there have been significant changes in valuations:

- Sourcing and interpreting data, including images and other unstructured data; and
- Calculating, including models and predictive analytics, enquiring, reporting and presenting (page 3).

However, the use of AI also creates ethical challenges, as evidenced by recent incidents in Australia and globally.

Application of professional and ethical standards

The Code is built on five fundamental principles:

- Integrity (Section 111),
- Objectivity (Section 112),
- Professional Competence and Due Care (Section 113),
- Confidentiality (Section 114) and
- Professional Behaviour (Section 115).

The conceptual framework in Section 120 of the Code requires a Member to identify threats to compliance with these principles, evaluate the threats identified and address those threats by eliminating them or reducing them to an acceptable level. In applying the conceptual framework, a Member is required to exercise professional judgement, use the reasonable and informed third party test and to have an inquiring mind.

Key considerations for the responsible use of AI

The fundamental principles of the Code equally apply when a Member uses AI. While technology, such as AI, can assist in producing, summarising and interpreting information, Members remain responsible for any opinion, the analysis, the underlying professional judgements and the outcomes of the professional activity provided to a client or employer. A Member cannot rely on another person, or on an AI tool, to form an opinion.

Accordingly, Members should be mindful of the extent of technology use and avoid undue reliance on, or undue influence from, technology such as AI, which can at times hallucinate and present convincing answers that are not accurate. Members are required to have an inquiring mind to critically assess and verify any information used or produced for a professional activity, which includes AI-generated information.

AI may assist and inform a Member's work; however, it cannot replace the Member's own expert reasoning and professional judgement, on which forensic accounting and valuation services depend. Because the Member remains ultimately responsible for the work and the output delivered, the appropriate supervision and review of AI use is essential to maintaining the integrity of that output. Importantly, Members should disclose when AI tools are used and monitor, supervise and review their use in the delivery of professional activities, in line with the fundamental principles of the Code.

The remainder of this guidance considers the following key issues to consider when using AI in the context of APES 110, APES 215 and APES 225:

- Confidentiality and data security
- Bias and reliance on AI-sourced evidence
- Professional judgement
- Application of AI
- Transparency and disclosure

Confidentiality and data security

Maintaining the confidentiality of information is critical in an AI environment. The use of AI adds complexity to the handling of Confidential Information, particularly where data is processed through external platforms, because information entered into an AI tool may be stored, used to train the underlying model, or become accessible to third parties. This may occur within an organisation (for example, where multiple users have access to a proprietary AI tool) and/or outside an organisation (for example, where the model is trained on the content and the content is used in another AI user's output).

Both APES 215 and APES 225 require a Member who acquires Confidential Information in the course of providing a service to comply with the confidentiality requirements of the Code (APES 215, paragraph 3.18 and APES 225, paragraph 3.10). Consistent with those requirements, the duty of confidentiality under the Code includes being alert to the possibility of inadvertent disclosure (APES 110, paragraph R114.1(a)) and taking appropriate action to protect the confidentiality of information in the course of its collection, use, transfer, storage or retention (APES 110, paragraph 114.1 A1).

A Member should therefore identify and assess the confidentiality risks arising from a proposed use of AI, decide whether a particular tool is appropriate for the information involved and apply appropriate safeguards. This assessment should be supported by clear organisational policies on when, and how, AI tools may be used with confidential or privileged information.

Bias and reliance on AI-sourced evidence

AI-sourced information may be incomplete, out of date, or drawn from sources whose reliability cannot be confirmed. AI can also produce biased, inaccurate or manipulated information, including convincing but "hallucinated" content. Consistent with the principle of professional competence and due care (APES 110, paragraph R113.1), AI-generated or AI-sourced information should be validated, calibrated and monitored before it is relied upon.

In addition, quality management systems need to adapt to address the use of AI, including the reliability and trustworthiness of AI-generated or AI-sourced information.

Consistent with the integrity principle (APES 110, paragraphs R111.1 and R111.2), a Member is required not to be knowingly associated with information that is materially false or misleading. Members are therefore required to be mindful of the extent of their use of AI and avoid undue reliance on, or undue influence from, it. Any information that cannot be substantiated should not be relied upon.

APES 215 and APES 225 provide relevant requirements in relation to AI-sourced evidence:

- In relation to forensic accounting services, APES 215 paragraph 6.1 provides that a Member shall not knowingly or recklessly make a statement or cause another to make a statement in or in connection with a Forensic Accounting Service that, by its content or by an omission, is false or misleading.

- In relation to valuation services, APES 225 paragraph 4.6 requires a Member to gather sufficient and appropriate evidence, by such means as inspection, inquiry, computation and analysis, to provide reasonable grounds that the Valuation Report and the conclusions therein are properly supported. In determining the extent and quality of evidence necessary, the Member is required to exercise professional judgement, having regard to the nature of the valuation, the type of Valuation Service and the use to which the Valuation Report will be put.

Accordingly, before AI-generated information is used or included in any forensic accounting or valuation service, the Member should apply professional judgement to assess and verify the information, including confirming that any cited sources exist and are accurately represented and corroborating the information against reliable primary sources.

Finally, the source of the information, the verification performed and the basis for the Member's judgements should be documented. The documentation requirements for forensic accounting services and valuation services require Members to prepare working papers that appropriately document the work performed, including the basis on which, and the method by which, any calculations, determinations or estimates used in the provision of the forensic accounting service or valuation service have been made (APES 215, paragraph 7.3, APES 225, paragraph 6.1).

In addition, APES 215 (paragraph 7.4) notes that Members should be aware that working papers generated as part of undertaking a Forensic Accounting Service may be required to be furnished to other parties or the Court as evidence. Where appropriate, a Member should maintain the chain of custody, including origin, possession and disposition of documents and other material, particularly originals, relevant to the Engagement or Assignment.

Consistent with these documentation requirements, where relevant, the use of AI should be documented when it is used as part of the work performed in a forensic accounting service or valuation service.

Professional judgement

While AI can support analysis and improve efficiency, valuation services and forensic services continue to depend on the practitioner's professional judgement and the defensibility of their opinion. AI can inform, but cannot replace, expert reasoning. Under APES 225, the valuer is responsible for selecting the valuation approach and for the reasonableness of the assumptions adopted, is required to gather sufficient and appropriate evidence to support the conclusions in the Valuation Report (paragraph 4.6) and is required to describe the material assumptions and the basis for them in the report (paragraph 5.2). In forensic accounting, an Expert Report is required to reflect the Member's own opinion and reasoning. Maintaining objectivity (APES 110, paragraph R112.1) also requires the Member to guard against undue influence from persuasive but unexamined AI output.

A Member should therefore:

- use AI to support, rather than replace, the Member's own analysis;
- critically assess the assumptions, methodology and inputs underlying any AI output; and
- remain able to explain and defend the basis of their opinion.

Members should also be aware that AI tools continue to evolve. The same input may not produce the same output at a later date. In all cases, while technology such as AI can assist in producing, summarising and interpreting information, the Member remains ultimately responsible for the work and the output delivered, including the underlying professional judgements, regardless of the extent to which AI has been used.

Application of AI

The distinction between the application of AI is important because different ethical considerations arise depending on how the AI is being applied:

- Uses to support the Member's own work process, for example, reviewing or summarising documents, organising or extracting information, transcription and workflow support. In these uses, AI assists the Member's understanding and efficiency; however, the Member remains the author of the analysis and the output. The key ethical considerations are focused on confidentiality, data security and the Member's competence in using the tool.

- Uses in which AI contributes to the substance of the work or to the output delivered to a client or a third party, for example, researching markets, analysing data, generating comparable evidence, or drafting parts of a report or an opinion. These uses affect the output more directly, including reliability, bias, the Member's responsibility for the conclusions, and whether the use of AI should be disclosed.

The key question in considering the use of AI is whether the AI is supporting the Member's own process or, alternatively, is affecting the substance of the opinion or the output. The same AI tool may be used in either way, so a Member should consider the ethical, professional and disclosure considerations that apply to the particular use, and should apply greater care, verification and disclosure as the AI's contribution to the substance of the work increases.

Of particular importance in forensic and valuation services are any restrictions on the use of AI in Expert Reports. Requirements for the use of AI differ across jurisdictions and continue to develop. Accordingly, a Member should identify and comply with the requirements of the particular court, tribunal or other forum in which the Member's work will be used, including in a foreign jurisdiction where the Member is engaged for that purpose.

Examples of the practice notes and guidance issued in Australian jurisdictions include:

- Supreme Court of New South Wales, *Practice Note SC Gen 23 – Use of Generative Artificial Intelligence (Gen AI)* which restricts, and in certain respects prohibits, the use of generative AI in Expert Reports. The practice note permits Gen AI for preparatory tasks, such as summarising or reviewing documents and preparing chronologies, but does not permit Gen AI to draft or prepare the content of an Expert Report without the Court's prior leave.

- District Court of New South Wales, *General Practice Note 2 – Generative AI Practice Note and Judicial Guidelines* which adopts the approach taken in Practice Note SC Gen 23 (above).

- Land and Environment Court of New South Wales, *Practice Note – Use of Generative Artificial Intelligence (Gen AI)* in which 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 (para. 20). If an expert witness obtains prior leave to use Gen AI, the expert witness must then disclose it in the report (para. 22).

- Queensland Courts, *The Use of Generative Artificial Intelligence (AI): Guidelines for Responsible Use by Non-Lawyers* apply to civil and criminal proceedings in Queensland courts and tribunals. These guidelines have been developed to assist non-lawyers who represent themselves or others, ensuring the responsible use of Generative AI chatbots in court and tribunal proceedings. It emphasises that Generative AI is not a substitute for a qualified lawyer and cannot provide tailored legal advice.

- Supreme Court of Victoria, *Practice Note SC Gen 25 – The use of Artificial Intelligence by Court users*, which requires particular caution to be exercised if AI is used to assist in the preparation of an expert report. Expert reports must be prepared in compliance with the relevant Code of Conduct or Practice Note (para 6.12). Court users must be prepared to identify the specific portions of Court documents produced using AI and explain how the output was verified (para 7.6).

- Victorian Legal Services Board and Commissioner, *Statement on the use of artificial intelligence in Australian legal practice* to help lawyers understand their expectations when using AI tools to assist them in their legal work. The Statement notes that lawyers must continue to maintain high ethical standards and comply with professional obligations under relevant legal profession uniform laws.

This list is illustrative rather than exhaustive, and positions in each jurisdiction are subject to change. A Member should confirm the requirements applicable at the time of the engagement.

APES 215 also addresses the position of a Member acting as an Expert Witness. Paragraph 5.4 provides that a Member who is acting as an Expert Witness shall comply with the following:

(a) the paramount duty to the Court which overrides any duty to the Client or Employer;

(b) a duty to assist the Court on matters relevant to the Member's area of expertise in an objective and unbiased manner;

(c) a duty not to be an advocate for a party; and

(d) a duty to make it clear to the Court when a particular question or issue falls outside the Member's expertise.

APES 215 paragraph 5.5 further requires that a Member who is acting as an Expert Witness should comply with evidentiary and procedural requirements relating to Expert Witnesses.

Transparency and disclosure

Users of valuation and forensic services should be appropriately informed about when and how AI has been used and the extent to which AI-generated outputs have contributed to the Member's work.

APES 215 and APES 225 require a Member in Public Practice to document and communicate the Terms of Engagement to provide a Forensic Accounting Service or Valuation Service to a Client in an Engagement Document in accordance with APES 305 *Terms of Engagement* (APES 215, para. 4.1; APES 225, para 4.1).

Where AI is utilised in Forensic Accounting Services or Valuation Services and that use is material to the engagement, the Member should document and communicate to the Client the details of the AI tools used, the protocols in place, including how the Client's confidential information will be used in the AI tool.

APES 215 and APES 225 also require disclosure of the methodology and the sources of information used to prepare reports, which would generally include the use of AI tools and AI-generated information.

In a valuation, where a Member in Public Practice prepares a Valuation Report in Writing, APES 225 paragraph 5.2 requires the report to clearly communicate, among other matters:

- the Valuation Approach(es), Valuation Method(s) and Valuation Procedures adopted in determining the estimate of value and a description of how they were applied;
- the specific information on which the Member has relied and the extent to which it has been reviewed (for example, the documents reviewed, the individuals interviewed, the facilities visited, the reports of other experts relied upon and management representations); and
- a description of the material assumptions applied in the Valuation and the basis for those assumptions.

In a forensic engagement, where a Member acts as an Expert Witness, APES 215 paragraph 5.6 requires the Member, subject to any legal requirements or restrictions, to clearly communicate in the Report, among other matters:

(a) the instructions received, whether oral or in Writing; and

(b) any limitations on the scope of work performed.

In relation to the use of AI, the nature and extent of appropriate disclosure is a matter of professional judgement and depends on factors such as the extent of the AI's contribution, the needs of the users and any applicable engagement terms or professional, legal or court requirements.

Importantly, disclosure supports the integrity of the Member's work and does not reduce the Member's responsibility for the output.

The illustrative examples below demonstrate how the principles set out in this guidance, the Code, APES 215 and APES 225 apply in practice. Each example sets out the issues raised and a case outline describing the relevant facts, followed by the ethical considerations and an appropriate course of action. The examples are illustrative and not exhaustive, and should be read together with this guidance, the Code, APES 215 and APES 225.

Forensic accounting services (APES 215)

Example 1 – Confidentiality and data security

Issues: Confidentiality and data security; use of external AI tools

Case outline: Priya is a director in the forensic services group of a mid-tier firm. She has been retained by a client to prepare an Expert Report quantifying the client's loss of profits arising from a supplier's breach of contract. The brief for the Expert Report includes several gigabytes of material, including five years of management accounts, the company's cloud accounting file, bank statements, board papers and a file of emails marked "privileged and confidential – prepared for the purpose of litigation". The Expert Report is due in three weeks.

Under the pressure of a tight deadline, a junior team member suggests to Priya that the email bundle and the bank statement be entered into a free, publicly available chatbot to generate a chronology and first-cut summaries of the information for the Expert Report. The junior team member notes that this would save significant time, as the chatbot would produce the summary within a few minutes, whereas preparing it manually would take weeks.

Ethical considerations

Under APES 215, a Member is required to protect the confidentiality of client information and apply professional competence and due care.

APES 215 requirement	How it applies in this scenario
Paragraph 3.18 – A Member who acquires Confidential Information in the course of performing a Forensic Accounting Service for a Client or Employer shall comply with Subsection 114 Confidentiality of the Code.	Confidential or privileged information should not be entered into public AI tools, and Priya should remain alert to the possibility of inadvertent disclosure through the use of technology. Entering the confidential and privileged client information into a free, publicly available chatbot would risk disclosure, as the information may be stored, used to train the underlying model or become accessible to third parties, none of which Priya can control once the data has left the firm's environment. Accordingly, entering the information into the public AI tool would be inconsistent with the duty under paragraph 3.18, particularly as the emails are subject to legal professional privilege and to the implied undertaking limiting the use of documents produced in litigation.
Paragraph 3.12 – A Member providing a Forensic Accounting Service shall maintain professional competence and take due care in	The junior team member proposes using an AI tool without understanding how the AI tool handles data. Priya is responsible for supervising and training those working under her direction and for ensuring that any AI tool is

APES 215 requirement	How it applies in this scenario
the performance of the Member's work in accordance with Subsection 113 Professional Competence and Due Care of the Code.	used competently and in accordance with firm policy.

Appropriate course of action

Confidential or privileged client information should not be entered into public AI tools. If an AI is used to assist in developing an Expert Report, the team should use an AI tool with appropriate data-security and no-retention settings and should restrict access within the firm to those working on the engagement, as confidentiality risks can also arise within an organisation where multiple users have access to a proprietary AI tool. Priya should confirm that the proposed use of the AI tool is consistent with the engagement terms and any undertakings to the court. In addition, where the use of AI is material to the engagement, she should document and communicate to the client the AI tools to be used, the protocols in place and how the client's Confidential Information will be used in the AI tool.

Priya should also maintain the chain of custody of the material provided in the brief, including its origin, possession and disposition, particularly for original documents, as working papers generated as part of undertaking a Forensic Accounting Service may be required to be furnished to other parties or the Court as evidence (APES 215, paragraph 7.4).

In addition, Priya should ensure the junior team member is trained and supervised in applying and using relevant AI tools and that the firm's AI policy is followed.

Example 2 – Application of AI, and Expert Reports

Issues: Application of AI; use of AI in Expert Reports

Case outline: James is a forensic accountant briefed to prepare an independent Expert Report quantifying the financial loss in a contractual dispute before the Supreme Court of New South Wales. James wants to make the report more readable and is considering using a generative AI (Gen AI) tool to draft the executive summary and to refine the language of his opinions. He recalls, but has not read closely, the court's practice note dealing with the use of Gen AI. The report is due shortly.

James is conscious that his paramount duty is to the Court. He identifies several possible uses of the tool, including summarising the brief for his own understanding, preparing a chronology, checking his calculations, drafting the executive summary, refining the wording of his opinions and generating parts of the analysis.

Ethical considerations

Under APES 215, the report is required to reflect the Member's own opinion and reasoning and a Member acting as an Expert Witness has specific obligations.

APES 215 requirement	How it applies in this scenario
Paragraph 5.4 – A Member who is acting as an Expert Witness shall comply with the following: (a) the paramount duty to the Court which overrides any duty to the Client or Employer; (b) a duty to assist the Court on matters relevant to the Member's area of expertise in an objective and unbiased manner; (c) a duty not to be an advocate for a party; and (d) a duty to make it clear to the Court when a particular question or issue falls outside the Member's expertise.	The report is required to reflect James's own opinion and reasoning. Using Gen AI to generate the substance of the opinion, or the words in which it is expressed, creates a risk that the report: • does not reflect the Member's own opinion and reasoning • is inconsistent with the duty to assist the Court in an objective and unbiased manner; and • is inconsistent with the duty not to act as an advocate for a party.
Paragraph 6.1 – A Member shall not knowingly or recklessly make a statement or cause another to make a statement in or in connection with a Forensic Accounting Service that, by its content or by an omission, is false or misleading.	James remains responsible for the report's content. Adopting AI-generated content that James has not verified, or that does not reflect his own opinion, could result in a statement that is false or misleading.
Paragraph 5.5 – A Member who is acting as an Expert Witness should comply with evidentiary and procedural requirements relating to Expert Witnesses.	James is required to identify and comply with any court rules, practice notes or directions governing the use of Gen AI in Expert Reports. For example, the Supreme Court of New South Wales Practice Note SC Gen 23 prohibits the

APES 215 requirement	How it applies in this scenario
	use of Gen AI to draft or prepare the content of an Expert Report without the prior leave of the Court. Preparatory uses of AI, such as summarising the brief for the Member's own understanding, differ from uses that affect the substance of the report. In addition, James's use of AI should be documented in the working papers (paragraph 7.3).

Appropriate course of action

James remains responsible for ensuring that the report reflects his own opinion and reasoning. He should not use Gen AI to generate the substance of his opinion, as a Member cannot rely on another person, or on an AI tool, to form an opinion.

Whether Gen AI may be used to refine the words in which the opinion is expressed depends on the requirements of the relevant jurisdiction. James should identify and comply with any rules, practice notes or directions of the relevant court that govern the use of Gen AI in Expert Reports. In this matter, as it is before the Supreme Court of New South Wales, Practice Note SC Gen 23 does not permit Gen AI to be used to draft or prepare the content of an Expert Report without the prior leave of the Court.

Consistent with Practice Note SC Gen 23, James is permitted to use Gen AI for preparatory tasks, such as summarising the brief for his own understanding or preparing a chronology, provided he safeguards confidential and protected information and those uses do not affect the substance of his opinion.

James should also confirm the position with the instructing solicitors. He should document his use of AI in his working papers and ensure the report meets the competence, objectivity and reporting requirements of APES 215.

Note that the requirements that apply to the use of AI differ across jurisdictions and continue to develop, and the outcome in this example reflects the requirements of the Supreme Court of New South Wales.

Example 3 – Reliance on AI-based evidence

Issues: Professional competence and due care

Case outline: Rahul leads a team engaged to conduct a large fraud investigation for a client. To assist with the investigation, the team has adopted a newly acquired AI analytics platform to triage approximately four million transactions for anomalies and indicators of potential fraud. The platform applies machine learning to identify patterns in the data and rank transactions, rather than generating content in response to an AI prompt. The platform ranks transactions as "high-risk" using a model whose workings it does not disclose to the user. The client wants the investigation completed quickly, and Rahul is inclined to present the platform's top-ranked transactions as the investigation's findings. Although Rahul has many years of experience in fraud investigations, he does not understand how the platform scores transactions, what assumptions underpin the ranking, or which transactions the platform might not detect. There is a risk that indicators of fraud the model was not designed to identify could go unflagged and be missed.

Ethical considerations

Under APES 215, a Member is required to be competent to provide the service and is required to maintain professional competence and due care.

APES 215 requirement	How it applies in this scenario
Paragraph 3.13 – Forensic Accounting Services generally require a Member to have specialised knowledge derived from the Member's training, study or experience. Before accepting an Engagement or Assignment to provide a Forensic Accounting Service, a Member should exercise professional judgement to determine if the Member is competent to provide the requested service.	Rahul does not understand how the AI platform scores transactions, the assumptions behind the ranking, or what it may fail to detect. The platform's output is an input to the analysis, not a substitute for it. Rahul is required to have a sufficient understanding of the tool's capabilities and limitations to use it competently and to interpret and supervise its outputs, drawing on appropriately qualified support if necessary.
Paragraph 3.12 – A Member providing a Forensic Accounting Service shall maintain professional competence and take due care in the performance of the Member's work in accordance with Subsection 113 Professional Competence and Due Care of the Code.	The investigation's findings must be properly based. Presenting the platform's top-ranked transactions as the findings, without understanding the risk of false positives, false negatives or embedded bias, would not meet the requirement to perform the work competently and with due care.

Appropriate course of action

Rahul should obtain or develop a sufficient understanding of how the platform works and where it may be deficient before relying on it, drawing on appropriately qualified support if necessary. He should apply professional judgement to interpret, test and corroborate the outputs and supervise their use.

The extent of testing and corroboration is a matter of professional judgement, having regard to the volume of transactions analysed. Given that volume, this would ordinarily involve testing a sample of the platform's results and performing independent procedures directed at the categories of transaction the platform was not designed to identify, rather than verifying each transaction individually.

Where the use of the platform is material to the engagement, Rahul should also document and communicate to the client the AI tools used and the protocols in place, including the limitation that indicators of fraud the model was not designed to identify may go unflagged, so that the client is informed of the nature and extent of the procedures performed.

Valuation Services (APES 225)

Example 4 – Professional judgement

Issues: Professional judgement; reliance on AI outputs

Case outline: David is a valuation specialist engaged to determine the fair market value of a privately owned logistics business. The valuation is required to resolve a shareholder buy-out, and the parties have agreed to be bound by his conclusion. Preliminary indications put the equity value between $20 million and $30 million, so the assumptions that drive the model are significant. To expedite applying the income approach, David uses an AI-enabled modelling assistant that uses the company's historical financial statements and management's forecasts to produce a discounted cash flow (DCF) model, including a forecast revenue line, projected margins, a weighted average cost of capital, and a terminal value. David's role is to assess whether the assumptions adopted in the model are reasonable and to form his own view of them, and he is required to maintain his independence and objectivity in doing so.

The headline assumption from the AI output is forecast revenue growth of 11 per cent per annum across the forecast period, which is well above the 4 to 5 per cent the industry has historically achieved and above the company's own recent experience. The model rationalises the higher figure by extrapolating from an unusually strong 18-month trading period and by reference to management's optimism about a new customer contract.

David runs a sensitivity check and finds that moving the growth assumption from 11 per cent to a much lower rate reduces the equity value by several million dollars, which is enough to change which shareholder is advantaged by the outcome. He also notes that the model has adopted a terminal growth rate and a discount rate that he has not yet independently considered, each of which has a significant effect on the business value.

Ethical considerations

Under APES 225, the valuer is responsible for selecting the valuation approach, assessing the reasonableness of the assumptions adopted, and documenting the basis of the valuation.

APES 225 requirement	How it applies in this scenario
Paragraph 4.6 – A Member shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to provide reasonable grounds that the Valuation Report and the conclusions therein are properly supported.	The headline assumption of 11 per cent revenue growth departs significantly from the company's history and the industry's experience. The model's rationalisation is not, of itself, sufficient and appropriate evidence. David is required to independently test and justify the growth assumption, the discount rate and the terminal value, or replace them with rates supported by evidence. The persuasiveness of an AI-generated narrative should not replace the valuer's own evidence-based analysis. In addition, David cannot rely on another person, or on an AI tool, to form an opinion.
Paragraph 5.2 – The Valuation Report shall clearly communicate, among other matters, "(m) A description of the material assumptions applied in the Valuation and the basis for those	David is required to set out and justify the material assumptions, including the growth rate, the terminal growth rate and the discount rate, as the valuer's own assumptions. Adopting the model's assumptions without independent analysis would leave the key value drivers unsupported

APES 225 requirement	How it applies in this scenario
assumptions".	by the valuer's own reasoning and would risk associating David with a materially misstated conclusion.
Paragraph 6.1 – A Member performing a Valuation Service shall prepare working papers that appropriately document the work performed, including the basis on which and the method by which any calculations, determinations or estimates used in the provision of the Valuation Service have been made.	David should document the assumptions adopted, the basis for each assumption, the independent analysis performed and the sensitivity of the conclusion to the key value drivers. Because AI tools continue to evolve, and the same input may not produce the same output at a later date, the working papers should also record the AI tool used and the date on which the output was generated.

Appropriate course of action

David should treat the AI model as a starting point for his analysis and test the 11 per cent growth assumption against the company's actual track record, management forecasts and external market evidence and either substantiate it with his own analysis or replace it with a rate that can be substantiated. He should independently consider the discount rate, the margin assumptions and the terminal value on the same basis and document the assumptions adopted, the basis for each and the sensitivity of the conclusion to the key value drivers.

Before the report is finalised, because some optimistic assumptions have been made, it would be beneficial to have another experienced valuation practitioner review it.

Example 5 – Transparency and disclosure

Issues: Transparency and disclosure of AI use

Case outline: Emma is a valuation specialist engaged by the owners of a specialty manufacturing business to prepare an independent valuation to support a potential sale. Emma uses AI tools throughout the engagement, including an AI assistant to review and summarise a large data room of contracts, leases and customer records. Emma also uses generative AI to draft sections of the report such as the industry overview and company background, and an AI-enabled platform to sense-check the market multiples she has selected.

The data room review informed Emma's understanding of the business and its key contracts, and the comparables screening informed the multiples used to determine the value. Emma has reviewed each AI output and her own analysis and judgement support the conclusions. However, the engagement letter does not refer to the use of AI and the firm has no standard wording on the matter. Emma considers whether she should disclose the extent to which AI has been used in developing the report.

Ethical considerations

Under APES 225, a Member is required to communicate the methodology and the sources of information used and agree the terms of the engagement with the client.

APES 225 requirement	How it applies in this scenario
Paragraph 5.2 – The Valuation Report shall clearly communicate the (k) Valuation Approach(es), Valuation Method(s) and Valuation Procedures adopted in determining the estimate of value and a description of how they were applied and (l) The specific information on which the Member has relied and the extent to which it has been reviewed.	Emma used AI to review the data room, screen comparables and draft parts of the report. The methodology and the sources of information that paragraph 5.2 requires to be disclosed would generally include the use of AI tools and AI-generated information. In addition, depending on the AI tool's contribution, Emma should describe the nature and extent of the AI assistance in the report and confirm that she has reviewed the outputs and accepts responsibility for them. A report that does not disclose the extent of AI use, where users assume the work is the valuer's own, may give a misleading impression of how the work was performed.
Paragraph 4.1 – A Member in Public Practice shall document and communicate the Terms of Engagement to provide a Valuation Service to a Client in an Engagement Document in accordance with APES 305 *Terms of Engagement.*	Because the engagement letter is silent on AI, there is no agreed position with the client on how AI will be used and what will be disclosed.

Appropriate course of action

As the engagement is already underway and the engagement letter does not address the use of AI, Emma should discuss and agree with the client how the use of AI will be treated and what will be disclosed and record the agreed position.

Where the use of AI is material to the engagement, the details of the AI tools used and the protocols in place, including how the client's Confidential Information will be used in the AI tool, should be documented and communicated to the client. Having regard to the extent of the AI's contribution, Emma should describe in the valuation report, as part of the methodology and sources of information, the nature and extent of the AI assistance and confirm that she has reviewed the outputs and accepts responsibility for them.

Emma should also comply with firm policy, including the requirements of APES 320 *Quality Management for Firms that provide Non-Assurance Services*, and any applicable professional or legal disclosure requirements. Emma should also ensure that the AI-assisted information underlying the disclosed conclusions has been verified, so that the information disclosed is reliable.

For future engagements, Emma should ensure that the firm's standard engagement terms address the use of AI, consistent with the requirement in APES 225 paragraph 4.1 to document and communicate the Terms of Engagement in an Engagement Document in accordance with APES 305 *Terms of Engagement*.

Example 6 – Quality management, bias and reliance on AI-sourced evidence

Issues: Quality management; bias, data integrity and undue reliance on AI

Case outline: Laura is preparing an independent valuation of a manufacturing business to support a shareholder buy-out. To expedite the application of the market approach, she uses an AI-enabled research platform that scans transaction databases and news sources and proposes a set of comparable transactions, together with an EBITDA multiple range of 6.5 to 8.0 times. The platform differs from the subscription data services Laura ordinarily uses, where the data extracted is attributable to an identified source. The platform's output is polished and is accompanied by confident commentary, but it does not show which transactions are driving the range or how each was selected.

When Laura examines the output more closely, two of the comparable companies operate in an adjacent sub-sector with materially higher margins and different growth prospects, and one transaction is several years old. The width of the multiple range translates into a difference of several million dollars in the conclusion of value. The platform's commentary also cites a named industry research report and a recent comparable transaction. When Laura attempts to verify these reports, the industry report does not appear to exist, and the transaction cannot be found in any database she has access to, although the figures appear plausible.

Ethical considerations

Under APES 225, a Member is responsible for the evidence relied upon and its documentation.

APES 225 requirement	How it applies in this scenario
Paragraph 4.6 – A Member shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to provide reasonable grounds that the Valuation Report and the conclusions therein are properly supported.	The comparables and market evidence proposed by the AI tool may be incomplete, out of date, or drawn from sources whose reliability cannot be confirmed and may include fabricated or "hallucinated" content. Such evidence will not meet the standard required by paragraph 4.6 unless it is independently tested and verified. Laura should apply professional judgement to assess the relevance and reliability of the AI-sourced evidence, verify it by appropriate means, and exclude any evidence that cannot be substantiated, so that the conclusions in the Valuation Report are properly supported. In doing so, Laura should be mindful of the extent of AI use and avoid undue reliance on AI.
Paragraph 4.9 – Where a Member relies on a representation made by a relevant party, the Member is making an assumption that the matter represented is true, unless the Member has independently gathered sufficient and appropriate evidence to provide reasonable grounds that the matter represented is supported.	Relying on the AI tool's comparables, multiple range or market commentary without verification is, in substance, relying on unverified information. Laura should independently corroborate the AI-derived information against reliable primary sources and should not adopt an opaque or unsubstantiated range. Presenting unverified AI output as reliable market evidence would also be inconsistent with Laura's obligation of integrity.
Paragraph 6.1 – A Member performing a Valuation Service shall prepare working papers that	To comply with paragraph 6.1, Laura's working papers should document how AI was used, the source of the AI-derived evidence, the verification performed and the

APES 225 requirement	How it applies in this scenario
appropriately document the work performed, including the basis on which and the method by which, any calculations, determinations or estimates used in the provision of the Valuation Service have been made.	basis on which the comparables, the multiple range and the valuation judgements were adopted. The working papers should also record the AI tool used and the date on which the output was generated, as the same input may not produce the same output at a later date. This approach records the basis and method of the valuation and enables the work to be reviewed.

Appropriate course of action

Laura should not adopt the platform's output without testing it. Instead, she should verify the relevance, date and deal terms of each comparable, exclude those that are not comparable to the subject business and reconcile the remaining comparables to independent sources.

Laura should document the basis for the final multiple range and for the valuation judgements made. The firm should also update its quality management processes in reference to APES 320 to address the use of AI, so that AI-sourced information is validated, calibrated and monitored before it is relied upon.

Laura should also confirm that any cited source, such as the industry research report and the comparable transactions, exists and is accurately described and should corroborate the information against reliable primary sources. Information that cannot be verified should not be relied upon or included in the valuation.