

Forensic & Financial Investigations Discussion Group

CPA Australia

30 September 2026



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Agenda

- Foundations of the Code
- Technology-Related Revisions to the Code
- Artificial Intelligence (AI)
- APESB response to Treasury's consultations:
 - Review of tax and corporate whistleblowing in Australia
 - Regulation of accounting, auditing and consulting firms in Australia
- Impact of AI for forensic accounting and valuation services
- Q&A

Foundations of the Code



International Ethics Standards Board for Accountants (IESBA)

IESBA's **mission** is to serve the public interest by setting high-quality global ethics and independence standards as a cornerstone to:

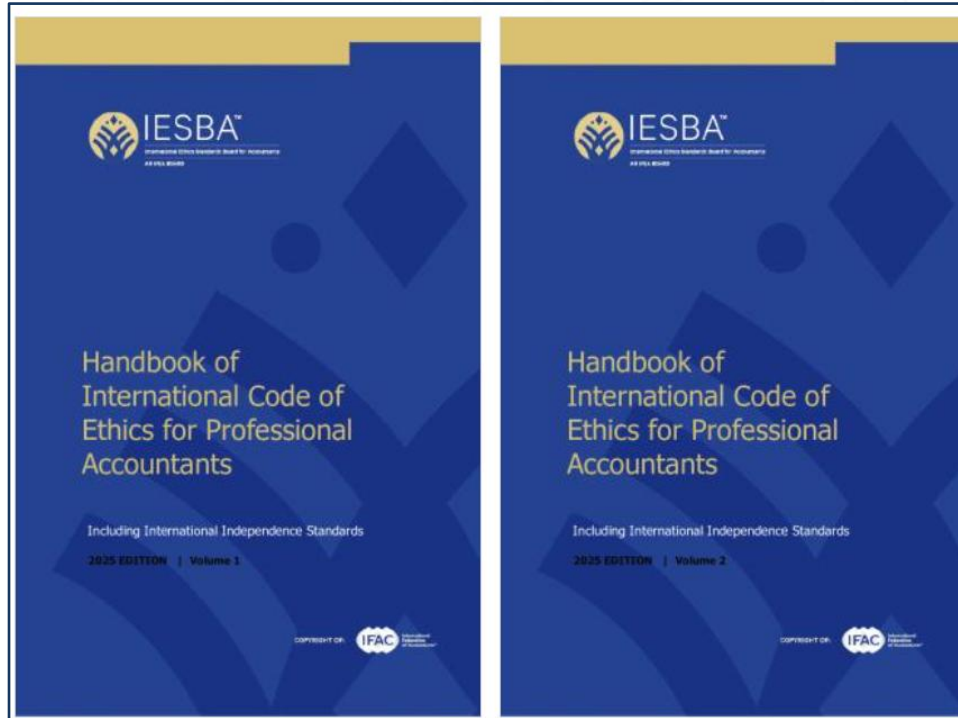
- ethical behaviour in business and organisations; and
- public trust in financial and non-financial information



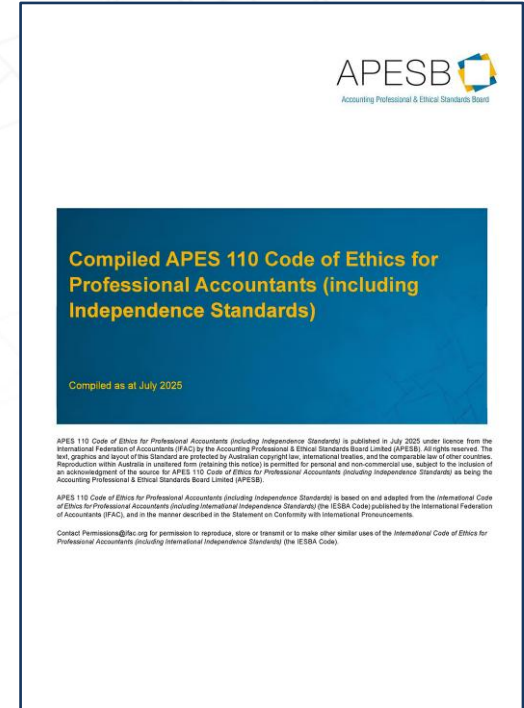
The **IESBA Code** is:

- Adopted or used in > **130** jurisdictions, including **17** G20 countries
- Adopted by the largest **35** international networks of firms (the Forum of Firms) for transnational audits
- Translated in around **40** languages, including all major UN languages

About the IESBA Code



Full
adoption
of the
IESBA Code
by APESB
in Australia



The IESBA Code/APES 110

Fundamental Principles

Integrity

Objectivity

Professional Competence &
Due Care

Confidentiality

Professional Behaviour

Threats

Self Interest

Self Review

Advocacy

Familiarity

Intimidation

Conceptual Framework



Technology-Related Revisions to the Code



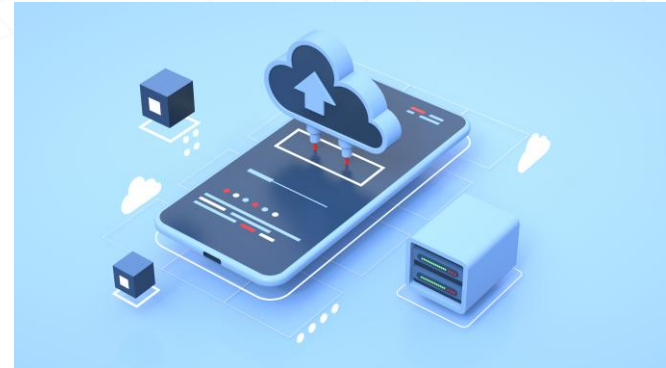
Ethics and Technology

Opportunities

- AI, data analytics, blockchain, cloud
- Greater efficiency, better insights

Ethical Challenges

- Data privacy & confidentiality
- Bias & fairness in algorithms
- Professional scepticism in automated environments



Technology is a tool, not a substitute for professional judgement.

IESBA Response - New technology-related changes to the Code (April 2023)



- Applies to assurance on non-financial information
- Draws attention to competence, confidentiality & leadership
- Considers ethical threats from use of technology & complexity when exercising professional judgment
- Addresses the ethical dimension of using output of technology
- Strengthens independence provisions for technology-related services & business relationships

Technology related revisions to the Code

- In June 2024, APESB issued the Technology-related [Amending Standard](#)
- Revisions based on IESBA Final Pronouncement [Technology-related Revisions to the Code](#) issued April 2023
- Guides the ethical mindset and behavior of Members in dealing with changes brought by technology



Effective from 1 January 2025

Overview of Technology-related revisions

Draws attention to the **competence, confidentiality, & leadership** imperatives of the digital age

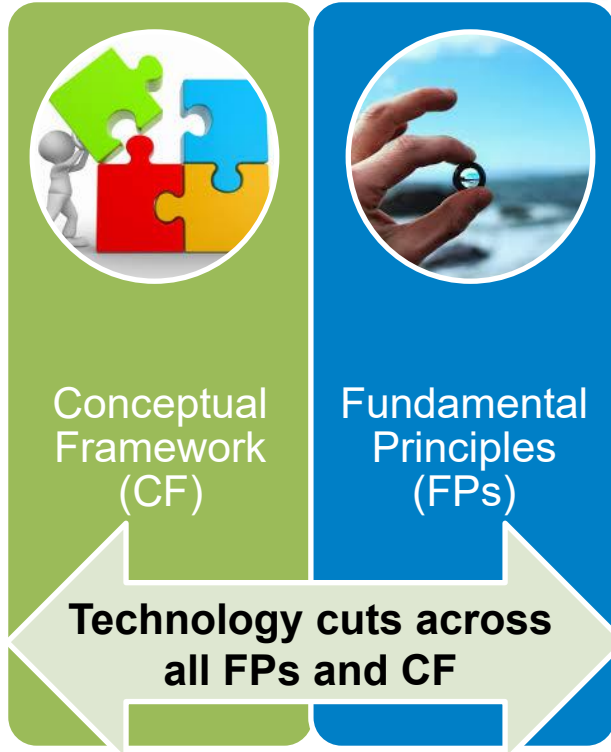
Considers ethical threats from **use of technology & complexity** when exercising professional judgment

Addresses the ethical dimension of **using output of technology**

Strengthens **auditor independence** for technology-related services & business relationships

Applies to assurance on **non-financial information** (e.g. ESG disclosures)

Technology and the Conceptual Framework



- Importance of **maintaining confidentiality** throughout the data governance cycle
- Data available might not be sufficient for effective use of technology.
- Technology might not be appropriate for the **purpose** for which it is to be used.
- The accountant might not have **sufficient information and expertise**, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.
- The technology was designed or developed using the knowledge, expertise or judgement of the accountant or employing organisation.

Ethical considerations when using technology output

- The **nature of the activity** to be performed by the technology.
- The expected use of, or extent of **reliance** on, the output of the technology.
- Whether the accountant has the ability, or has access to an expert with the ability, to understand, **use and explain** the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately **tested and evaluated** for the purpose intended.
- **Prior experience** with the technology → whether its use for specific purposes is generally accepted.
- The employing organisation's **oversight** of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The **controls** relating to the use of the technology, including procedures for authorising user access to the technology and overseeing such use.

Artificial Intelligence



Academics apologise for AI blunder implicating Big Four

by Tom Herbert

A group of academics has apologised to the Big Four after it was revealed they had used material generated by artificial intelligence to implicate the firms in non-existent scandals via a submission to the Australian Parliament.

6th Nov 2023 10 comments



Deloitte to refund government, admits using AI in \$440k report

Edmund Tadros and Paul Karp

Oct 5, 2025 - 7:41pm

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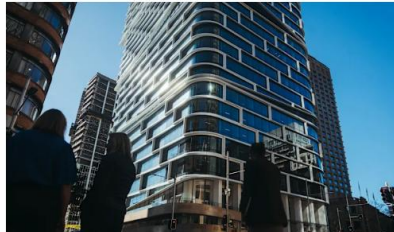
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Deloitte Australia will issue a partial refund to the federal government after admitting that artificial intelligence had been used in the creation of a \$440,000 report littered with errors including three nonexistent academic references and a made-up quote from a Federal Court judgement.

A new version of the report for the Department of Employment and Workplace Relations (DEWR) was quietly uploaded to the department's website on Friday, ahead of a long weekend across much of Australia. It features more than a dozen deletions of nonexistent references and footnotes, a rewritten reference list, and corrections to multiple typographic errors.



PwC US boss says partners who resist AI have no place at the firm



Paul Griggs says the firm will start to offer alternatives to the traditional model of billing clients based on the number of hours worked by its army of staff.

Mar 19, 2026 | Stephen Foley

Building and using AI Ethically

- **Understand the model:** the data, its operation and potential unintended consequences
- Be comfortable with the inputs and the **control structure** monitoring the system and its output
- Utilise a **“human in the loop”** approach
- Have the ability and competence to ask the **“right” questions**

Can be achieved by the Member keeping current and educating themselves on relevant practical guidance and “best practices” specific to their role



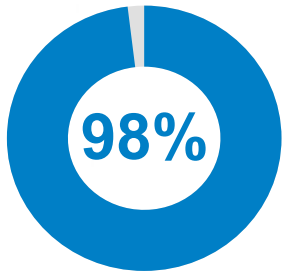
APESB Technical Alert

Members should **disclose** when AI tools are used
and
supervise and review AI use in the delivery of professional activities

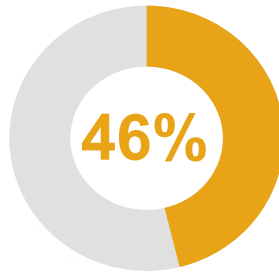
→ APESB's service-specific standards require disclosure of the **methodology**
and sources of information used to prepare reports.

AI Governance

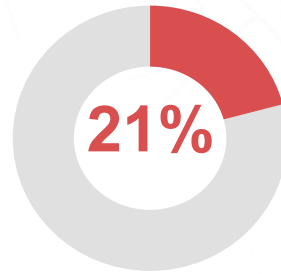
- AI governance ensures compliance with ethical standards, regulatory requirements, and public interest obligations.
- Evidence that the rapid increase in AI adoption is outpacing AI Governance. Consider the results of Karbon's [*The State of AI in Accounting Survey 2026*](#):



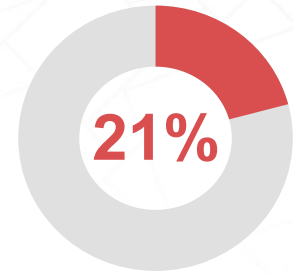
Using AI daily



Provide training on AI



Have an AI Policy



Have an AI Strategy

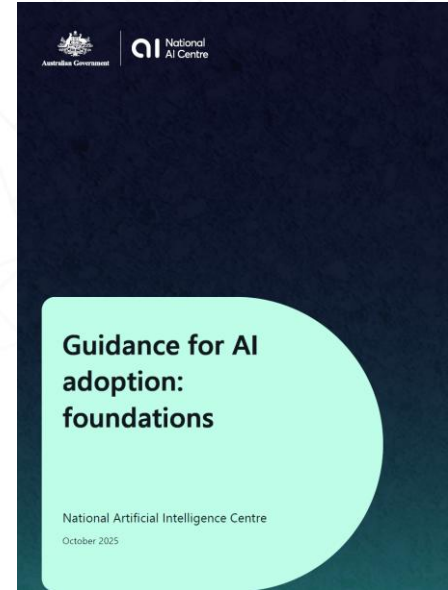
- Firms must establish AI governance to empower their staff and to be able to serve as trusted AI governance advisors to their own clients.

Implementing AI policies and principles

- Steps to implement an AI policy (based on [National AI Centre \(NAIC\) guidelines](#)):

- Appoint an AI Governance Owner
- Create an AI policy
- Build and maintain an AI register
- Conduct Risk Assessments before using AI
- Govern your data first
- Train Staff and maintain human oversight

- Consider creating and adopting AI ethics principles such as **accountability, data protection, security, transparency, explainability** and **fairness**.



APESB response to Treasury's consultations



Treasury's review of tax and corporate whistleblowing in Australia

- [Consultation Paper](#) released on 2 June 2026; comments closed on 29 July 2026.
- Reviews the 2019 whistleblowing regimes in Part 9.4AAA of the *Corporations Act 2001* and Part IVD of the *Taxation Administration Act 1953*.
- Perform an assessment of whether the protections are operating as intended, including whistleblowers' access to justice and how effectively the regimes incentivise whistleblowing and disincentivise misconduct.

APESB's response:

- [APESB Submission](#) (on APESB's website) made on 29 July 2026.
- APESB supports the Government's initiative for this Review:
 - to enhance, align and simplify the whistleblowing regimes;
 - to encourage reporting of unethical behaviour; and
 - to provide better support and safeguards for whistleblowers.

APESB's response to the Government

APES 110, including NOCLAR provisions, does not establish protections for whistleblowers:

- Effective whistleblower protection will provide the proper legislative environment and statutory protection for Members in extreme circumstances to report NOCLAR to appropriate regulatory authorities.
- If lack of statutory whistleblower protection, Members will have to consider this significant risk in their decision-making process on whether or not to report an actual or suspected NOCLAR.

APESB's response to the Government

Key matters for consideration – [APESB submission](#) (29 July 2026)

- **Extend the corporate regime** so that partners and employees of large accounting and auditing partnerships have equivalent protections to company employees;
- **Address divergence** between the regimes, including clarity on:
 - the interaction between protections and Members' confidentiality obligations; and
 - the treatment of acts preparatory to a disclosure;
- **Simplify protections** and make them consistent across regimes; and
- Consider an **independent body** to receive disclosures and refer them to the regulator best placed to act.

Treasury's consultation on options for the regulation of accounting, auditing and consulting firms

- [Options Paper](#) issued on 1 July 2026; comments closed on 12 August 2026.
- Sets out proposed options on conflicts of interest in multidisciplinary firms, partnership and governance reforms, audit quality and ethical requirements, and audit surveillance.
- Builds on the Government's earlier consultation in [response to the PwC matter](#), as part of a broader agenda to improve market integrity, strengthen regulatory oversight, and restore public confidence in major professional services firms.

APESB's response:

- [APESB Submission](#) (on APESB's website) made on 12 August 2026.
- APESB acknowledges that recent ethical failures have damaged public trust and demonstrated that the current arrangements need improvement.
- Key focus – monitoring and enforcement, and closing the gap between existing standards/actual conduct.

APESB's response to the Government

Key matters for consideration – [APESB submission](#) (12 August 2026)

Building on the existing co-regulatory framework:

- **Reforms should build upon**, rather than duplicate or displace, Australia's existing co-regulatory framework;
- Australian accounting, auditing and ethics to **align with principles-based international standards**, with Australian divergence only where there is a clearly demonstrated public interest need;
- Recent ethical failures indicate a need for enhanced **monitoring and enforcement** and stronger firm culture and governance, not deficiencies in APESB pronouncements or the international standards on which they are based; and
- Provide **legislative recognition** for professional and ethical standards and review the resourcing of regulatory and disciplinary bodies that enforce those standards.

APESB's response to the Government

Firm-level obligations and governance of large firms:

- APES 110, APES 320 and APES 325 already impose **firm-level obligations**:
 - independence, conflicts of interest, quality management and risk management;
- Any **governance reforms** for large professional services firms should build on APES 325 (effective since 1 January 2013) and emerging international developments, including IESBA's Firm Culture and Governance project; and
- Any **additional firm-level obligations** should be clearly defined, proportionate, targeted to large firms and aligned with existing legal, professional and ethical requirements.

APESB's response to the Government

Conflicts of interest, audit surveillance and auditor tenure:

- **Conflicts of interest** reforms in multidisciplinary firms should be evidence-based, targeted and recognise APES 110 prohibitions and safeguards for NAS;
- If **separation** is considered necessary, consider operational separation (UK model) before pursuing structural separation;
- Strengthen **audit surveillance** through increased and transparent reviews, and consider oversight of firms' governance, risk management and quality management systems (UK FRC model); and
- Improve **auditor tenure transparency** – APES 110 long association requirements and audited entity's governance mechanism to periodically review external auditors provide a proportionate response than mandatory audit firm rotation.

Impact of AI for forensic accounting and valuation services



Draft APESB guidance: AI in forensic and valuation services

Background

- **Jan 2025** – effective date of APES 110 technology amendments
- **Oct 2025** – APESB Technical Alert on the ethical use of AI
- **Dec 2025** – development of **guidance rather than amendments** to APES 215 and APES 225
- **Sept 2026** – draft guidance and six illustrative examples presented to the Board

Why guidance?

- AI offers numerous benefits, including faster analysis, predictive insights and automated reporting.
- It also creates ethical challenges as evidenced by recent incidents in Australia and globally.

Principles-based and tool-agnostic

Focus on applying the fundamental principles of the Code rather than the features of any AI tool

Does not amend or override APES 110, APES 215 or APES 225

The Member remains responsible

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.

A Member cannot rely on another person, or on an AI tool, to form an opinion.

- Avoid **undue reliance** on AI, which can include convincing, but “hallucinated” content;
- Have an **inquiring mind** to critically assess and verify information;
- **Disclose** when AI tools are used and monitor, **supervise and review** their use.

Five key matters addressed in the guidance

Confidentiality
and data
security

Bias and
reliance on
AI-sourced
evidence

Professional
judgement

Application of
AI

Transparency
and disclosure

Confidentiality and reliance on AI-sourced evidence

Confidentiality and data security

- Information entered into an AI tool may be **stored, used to train the model or become accessible to third parties**
- Comply with confidentiality requirements of the Code
- Assess whether the **tool is appropriate for the information** and apply safeguards
- Supported by clear **organisational policies** on AI use

Bias and reliance on AI-sourced evidence

- AI-sourced information may be **incomplete, out of date, biased or "hallucinated"**
- Validate and verify information before relying on it
- Confirm cited sources **exist** and corroborate against primary sources
- Gather **sufficient and appropriate evidence** (APES 225 para 4.6) and ensure no false or misleading statements (APES 215 para 6.1)
- **Document** the work performed (APES 215 para 7.3, APES 225 para 6.1)

Professional judgement and application of AI

Professional judgement

- Services depend on the practitioner's judgement and the **defensibility of their opinion**
- An Expert Report must reflect the **Member's own opinion and reasoning**
- Guard against a **persuasive but unexamined AI output** (APES 110, R112.1)

Members should use AI to support, not replace, their analysis and be able to explain and defend the basis of their opinion

Application of AI

Supporting the Member's own process

- Summarising documents, extracting information, transcription, workflow support
- Key considerations: **confidentiality and competence**

Contributing to the substance of the work or output

- Analysing data, generating comparables, drafting parts of a report or opinion
- Consider any restrictions on use in Expert Reports (e.g. SC Gen 23)
- Paramount duty is to the Court (APES 215 para 5.4)

Transparency and disclosure

- Users should be appropriately informed about **when and how AI was used**
- **Terms of engagement** - where AI use is material to the engagement, communicate to the Client the details of the AI tools used, protocols and handling of client information (APES 305)
- **Reports** - 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.

Disclosure does not reduce the Member's responsibility for the output

Illustrative examples

Forensic accounting services (APES 215)

- 1 Confidentiality and data security** – privileged material and a free public chatbot
- 2 Application of AI in Expert Reports** – Gen AI drafting before the NSW Supreme Court
- 3 Reliance on AI-based evidence** – an opaque AI analytics platform in a fraud investigation

Valuation services (APES 225)

- 4 Professional judgement** – an AI-built DCF with an 11% growth assumption
- 5 Transparency and disclosure** – extensive AI use with an engagement letter silent on AI
- 6 Bias and reliance on AI-sourced evidence** – AI-proposed comparables and a cited report that does not exist

Illustrative example: Gen AI and Expert Reports

Scenario (Example 2)

James is preparing an independent Expert Report quantifying loss in a dispute before the **Supreme Court of New South Wales**.

He is considering using Gen AI to draft the executive summary and refine the wording of his opinions.

He recalls, but has not read closely, the court's Gen AI practice note. The report is due shortly.

Ethical considerations

Para 5.4 – duties as an Expert Witness

- The report must reflect James's **own opinion and reasoning** – Gen AI generating the substance, or the words expressing it, puts that at risk

Para 5.5 – procedural requirements

- **PN SC Gen 23** prohibits Gen AI drafting the content of an Expert Report without prior leave of the Court
- Preparatory uses (summarising the brief, a chronology) differ from uses affecting the substance

Appropriate course of action: Do not use Gen AI to generate the substance of the opinion. Preparatory uses are permitted if confidential information is safeguarded. Confirm the position with the instructing solicitors and document AI use in the working papers.

Illustrative example: AI-based evidence in a fraud investigation

Scenario (Example 3)

Rahul leads a team engaged in a large fraud investigation. The team adopts a **new AI analytics platform to triage approx. 4 million transactions.**

The platform uses machine learning to rank transactions as “high-risk” and its workings are not disclosed to the user.

The client wants the investigation completed quickly and Rahul is inclined to present the platform’s top-ranked transactions as the findings of the investigation.

Ethical considerations

Para 3.13 – competence to provide the service

- 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 supervise its outputs

Para 3.12 – professional competence and due care

- Presenting the ranking as findings without understanding **false positives/negatives or bias** would not meet the requirement for due care

Appropriate course of action: Understand how the platform works before relying on it. Test and corroborate its outputs – sample the results and run independent procedures for what the model was not designed to detect. Where material, document and communicate the tools used and their limitations to the client.

Q&A



Further Information

For more information visit www.apesb.org.au

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