

Professional Scepticism for AI:

How to Avoid Falling Victim of The Artificial
Intelligence Madness



Introduction

Professional scepticism isn't about being a cynic or a nay sayer, it's about being curious. Think like Sherlock Holmes with a spreadsheet.



Professional scepticism has traditionally been a key attribute for those working in audit. IFRS-based financial reporting standards have spread the use of judgement in preparing financial statements - with consequences for auditors, who need to be able to challenge the assumptions used by management to determine accounting treatments.

According to the International Audit and Assurance Standards Board the need for professional scepticism in an audit of financial statements cannot be overemphasised, but adopting and applying a sceptical mindset is a personal and professional responsibility for every accountant.

So, what exactly does that mean when it comes to AI systems and technology?

Professional scepticism

Whichever professional accountancy body you are a member of, you will no doubt find yourself covered by either the IESBA Code of Ethics or one closely based on its requirements.

Objectivity is one of the five fundamental ethical principles set out in the Code, and the wording was recently updated to specifically include technology, with the output of AI in mind.

Objectivity:

To exercise professional or business judgements without being compromised by bias, conflict of interest, or undue influence or undue reliance on individuals, organisations, technology or other factors.

Professional Scepticism:

Is defined as a mindset that includes the questioning of information and evidence, and a recognition that bias can exist, even without malice, which may affect professional judgment.

IESBA Code

Professional scepticism is rooted in the concept of objectivity.

Using professional scepticism means that you don't readily accept something as a fact without looking for evidence. It is your job to question and challenge data, assertions and the assumptions on which they are based.

So, when AI gives you an answer that seems too good to be true, you are the one who should be waving to say "hang on, can we trust this?".

AI in accounting

AI is here and it won't be going anywhere anytime soon.

AI systems are enhancing, improving and automating finance procedures across the world. It's your new office assistant who never sleeps or needs coffee breaks, and it can process invoices faster than you.

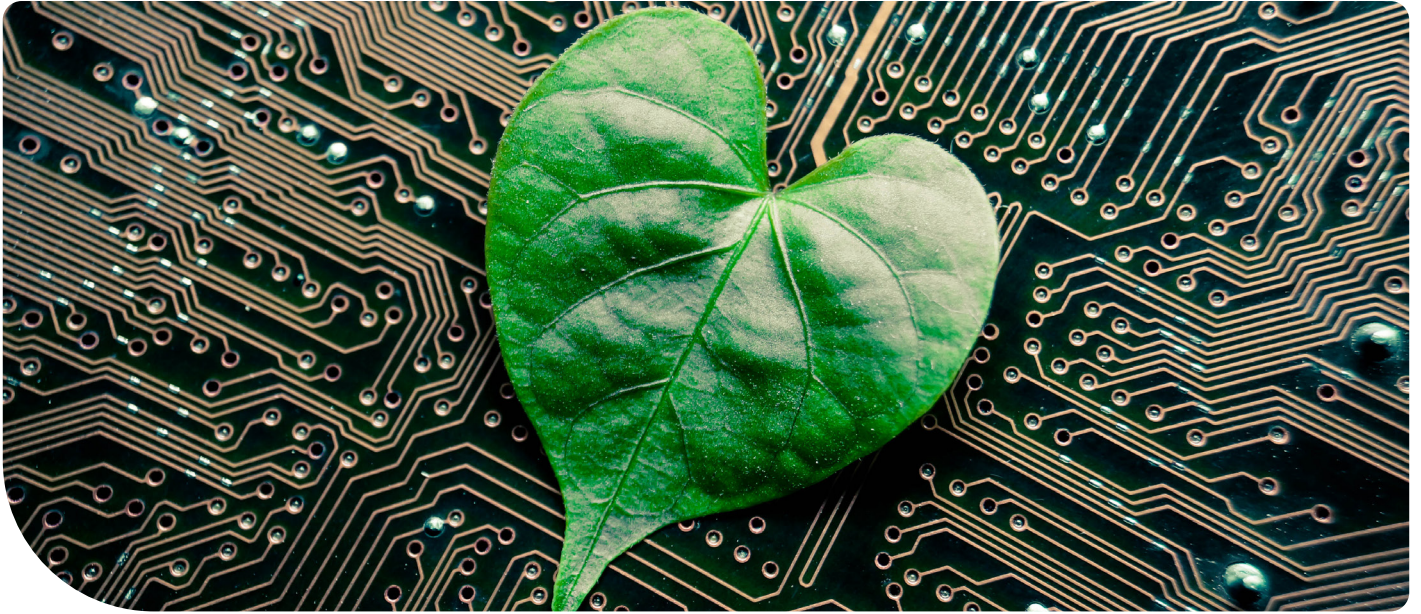
A photograph showing a person's hand and a white robotic hand pointing towards a laptop keyboard. The person's hand is on the left, and the robotic hand is on the right. The background is dark and out of focus.

22%

More time saved by employees when a firm invests in AI training. A difference of 40 hours annually, per employee with employees that don't.

The State of AI in Accounting Report 2025, Karbon

Why does AI have so much potential?



AI's potential is down to its key capabilities:

- **Learning from data:**

AI systems can analyse large datasets, learning and improving from the information.

- **Recognising patterns:**

AI identifies trends and patterns in complex data, aiding in understanding financial information.

- **Decision-making assistance:**

AI provides quick, accurate decisions based on data, always under human oversight.

- **Understanding language:**

AI processes and responds to human language, useful for customer service and report generation.

What can AI do in the world of accounting and finance?

Let's look at some specific applications of AI systems in accounting practices and finance departments:

Efficiency

- Automation of routine tasks: AI can automatically input data, process invoices, and generate reports.
- Time savings: AI automation allows accountants to focus on more strategic activities.

Accuracy

- Improved data integrity: AI minimises human errors in data entry and analysis.
- Consistent processes: AI ensures consistency in routine tasks.
- Compliance and audit: AI helps in adhering to regulations and ensuring accurate audits.

Decision making

- Data-driven insights: AI can analyse large datasets to provide valuable insights.
- Predictive analytics: AI can forecast future performance based on historical data.
- Real-time information: AI provides real-time data and analytics.

Customer experience

- Enhanced service delivery: AI chatbots can handle customer enquiries.
- Personalised services: AI can tailor financial products and services to customer needs.



↑ 85%

Increase in speed and efficiency

↓ 68%

Decrease in error reduction

↑ 65%

Increase in task automation

Top 3 AI benefits that accounting professionals are most excited about

The State of AI in Accounting Report 2025, Karbon

Risks and threats

AI can be brilliant, but it's not infallible.

You can't integrate AI systems into your accounting work without addressing some crucial ethical aspects. As we adopt AI technologies, we must ensure that our processes are responsible and ethical.


Several ethical frameworks have been proposed, to help organisations benefit from AI while avoiding, or at least minimising, any harm.

The EU's AI Act lists the following ethical requirements for high-risk AI applications:

1. Overseen by humans
2. Safe
3. Protective of privacy
4. Transparent
5. Fair
6. Accountable
7. Beneficial to society

The UK Government's AI principles:

1. Safety, security and robustness
2. Appropriate transparency and explainability
3. Fairness
4. Accountability and governance
5. Contestability and redress



Organisational leaders need to understand what they are getting themselves into when it comes to AI systems and initiatives. Especially when it comes to avoiding automation bias - our very human tendency to over-rely on or blindly trust information produced by automated systems.

Here are some useful rules to bear in mind when using AI:

1. Data privacy and protection

Comply with data protection regulations such as GDPR. Ensure all personal and financial data is secure. Anonymise data if using opensource generative AI.

2. Bias and fairness

Check that AI decisions are fair and unbiased. Identify and mitigate bias by auditing AI algorithms to detect and correct issues. Use diverse, inclusive and representative data sets to train AI models.

3. Transparency

AI processes and decisions must be transparent and explainable. Stakeholders should understand how AI outcomes are reached. Communicate how AI systems are used and the basis for decisions.

4. Accountability


Maintain human oversight for critical AI decisions, especially those affecting clients and financial outcomes. Define who is responsible for AI system outcomes and ensure accountability at all levels.

5. Security

Use robust safeguards and strong security measures to protect from cyber threats. Regularly update and monitor security protocols, and develop and maintain a response plan for potential security breaches.

6. Ethical use of AI

Use AI purposefully, in ways that align with your organisation's ethical standards and values. Regularly review AI practices so that they remain ethical as technology and regulations evolve.



Professional accountants should be on the lookout for threats to their fundamental ethical principles...

- **Bias and discrimination:**

This could impinge on our requirement to be objective.

- **Hallucinations and false results:**

Placing reliance on fake information threatens objectivity and integrity and also calls into question whether due care has been taken.

- **Undermining data privacy:**

This would breach the concept of confidentiality and possibly also professional behaviour, if compliance has been undermined.

- **Lack of transparency:**

This could impact the requirement of professional competence and due care. Our integrity and objectivity could also be at risk.



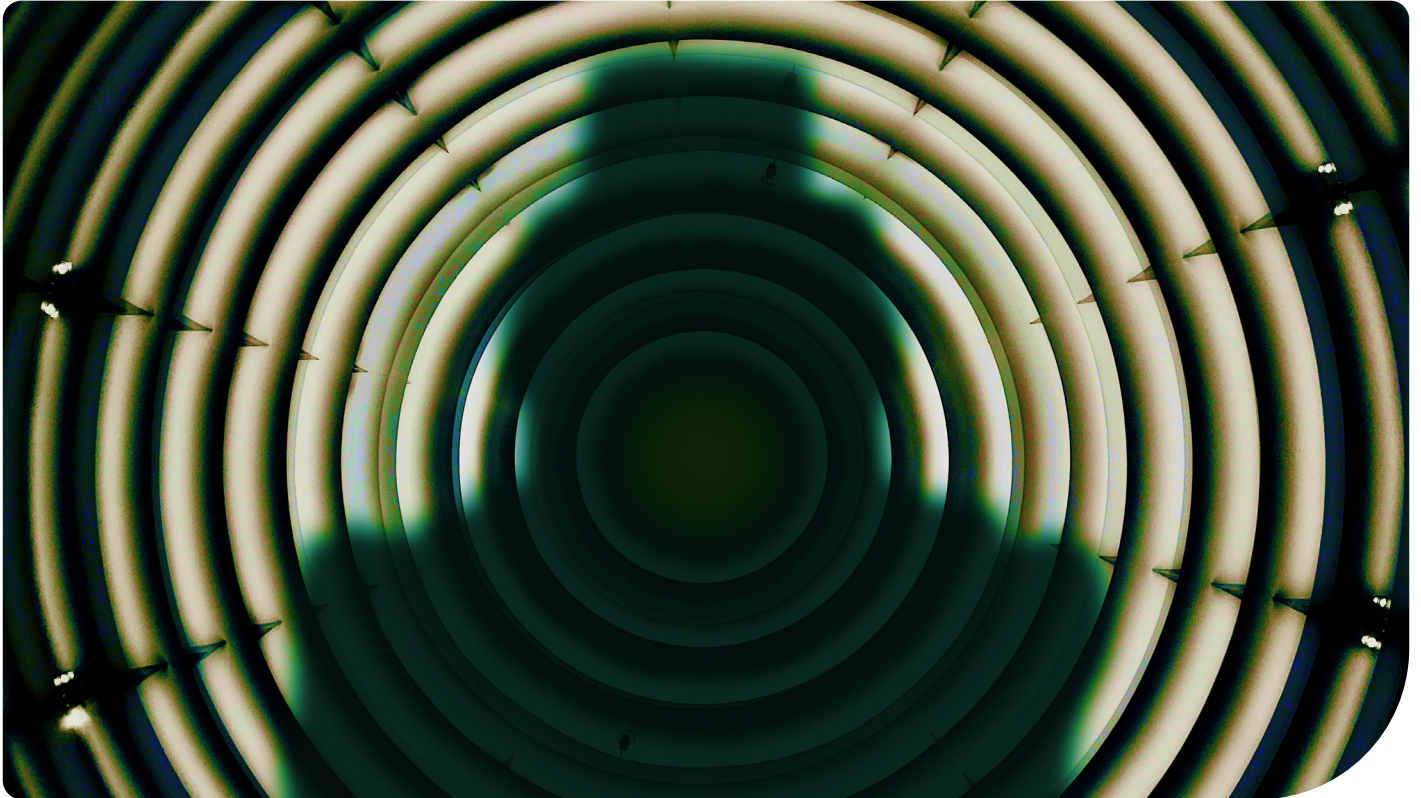
46%

Of respondent firms reported having only 'partial understanding' of the AI technologies they use versus 34% of firms that said they have 'complete understanding'.

Artificial intelligence in UK financial services 2024, Bank of England

Case: AI hallucinations

Sometimes AI systems hallucinate - yes, really!



A litigant in a UK tribunal used ChatGPT to produce summaries of what turned out to be non-existent cases. These were submitted in support of a defence against a penalty for failing to notify the UK tax authority of a capital gains tax liability on the sale of a rented property.

There were red flags - the American spelling of "favour" in a supposedly UK case and a lack of the appropriate formatting for citations. Taxpayers in the fake cases successfully appealing on the grounds of ignorance of the law should also have raised concerns.

What else was missing here? An accountant. The sceptical advisor who asks the tough questions. An accountant's attention to detail and good old knowledge of the law provide invaluable defences against AI taking a wrong turn, ensuring errors are picked up, and making sure AI is fit for purpose.

Professional scepticism and AI

The integration of AI into our professional lives does present challenges. Not only do we need to learn the necessary technical skills to understand the technology, we also need to fully understand the ethical and regulatory implications of AI-driven decisions.

Ensuring that AI systems are transparent, fair, and accountable is critical to maintaining trust with clients, colleagues, regulators, and other stakeholders.

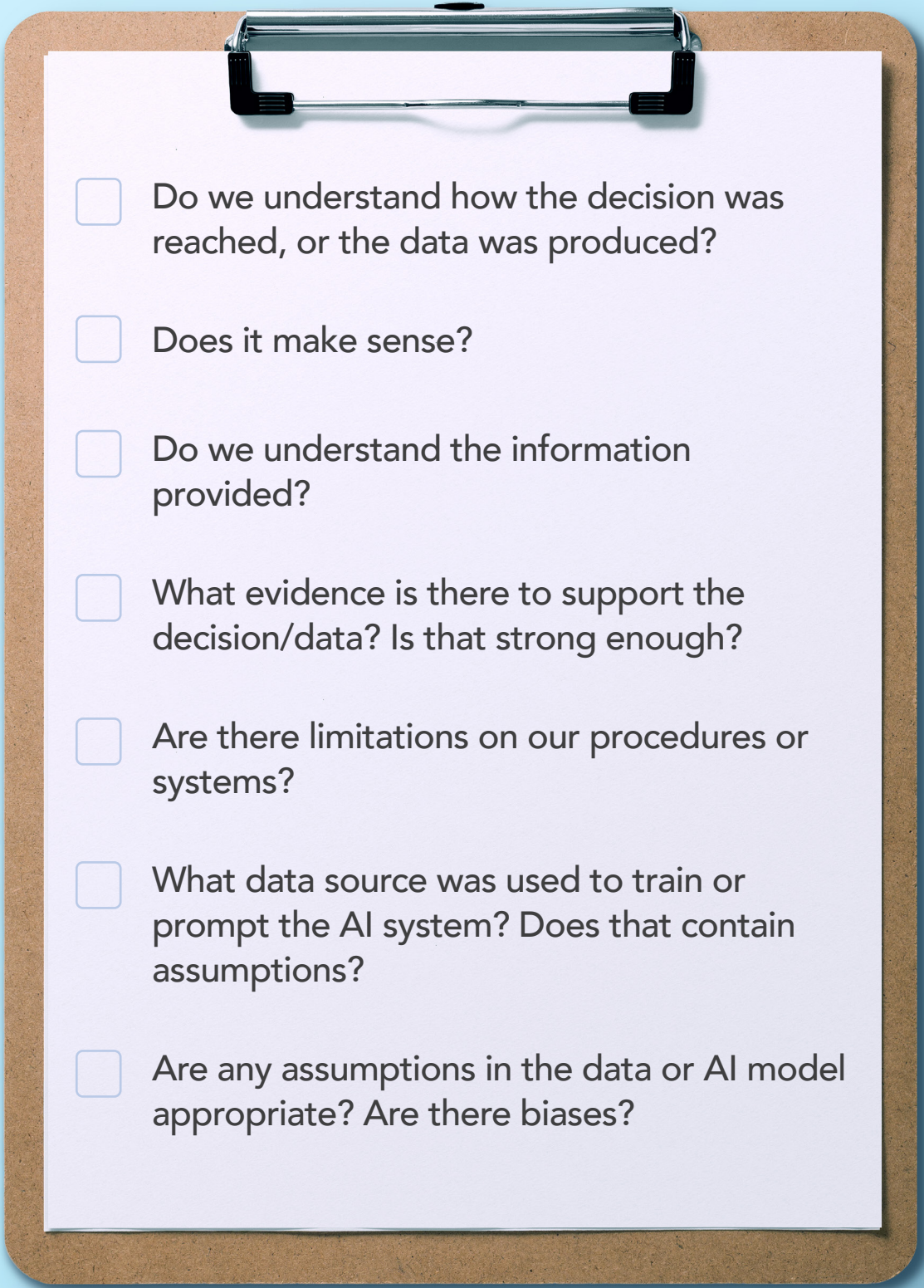
Even with AI in the mix, your brainpower is irreplaceable. Automation bias is real. Do not assume the computer is always right. Human judgment, creativity, and ethical decision-making are needed more than ever.

Finance professionals who harness the power of AI and navigate its challenges can confidently lead their organisations into the future.



Checklist

Use these questions to be more constructively sceptical when using AI systems:

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- Do we understand how the decision was reached, or the data was produced?
 - Does it make sense?
 - Do we understand the information provided?
 - What evidence is there to support the decision/data? Is that strong enough?
 - Are there limitations on our procedures or systems?
 - What data source was used to train or prompt the AI system? Does that contain assumptions?
 - Are any assumptions in the data or AI model appropriate? Are there biases?