Auditing in the age of Artificial Intelligence

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Artificial Intelligence is the fabric that promises to be the evolving game changer for various industries and professions. Computing systems are the focal point, not because of their recognition for content but for recording of consumption pattern in terms of frequency and immediacy. Biometric technologies such as image recognition, fingerprint recognition, data mining and predictive analysis infiltrate daily part of our lives that help transform business operations and interaction exchange between internal and external customers. To kick off proceedings, AI is already being placed in areas involving driverless cars, home energy systems and investment portfolio management. Artificial Intelligence and Machine learning have stepped into every corporate mainframe to augment work efficiency and reduce errors. From virtual assistants to autonomous vehicles the relationship between auditors and Machine Learning have grown deeper.

Cybersecurity a growing concern

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Changing role of auditors

Internal Auditors are required to move out of mindset of auditing Information Technology General Computer Controls (ITGCC) and/or application controls only with set Risk and Control Matrices. The earlier data analytical tools like ACL do provide wide coverage for entire population but those are detective tools that are often provided for yearly reviews and company boards to streamline the process on how Netflix uses its data points, ratings and consumption pattern of the user to direct him to another show of the similar genre, type and actor. There is a dire need to better the questions for CFOs, Auditing Committee and company boards to streamline the relevant information on yearly reviews based on firm’s performance.

Fraud risks on the up

We are now witnessing a changing trend of conducting business that has led to accountability issues for a high probability of fraud risk. By creating sophisticated machine learning-based models, auditors can now improve fraud detection, in some cases on real-time basis. The auditing process extends itself to the correctness and reliability of data in a systematic manner. It helps organize the unstructured data which involves emails, social media posts and conference call audio media files.

There is a change required regarding the composition of the auditing team with right skill set. The IA team should know how AI works, understand the risks and opportunities AI present, determine whether AI outcomes are as expected and be capable of recommending or taking corrective actions.

Even when the humans make the flaw of approving legal jargons the AI analyses the entire portfolio picking out volumes of information about property value and borrower’s creditworthiness. The auditing department is now excelling in exponential work as compared to average performance ages ago. There is lot of actions needed at Professional skill development as well where Institute needs to change the way. To meet the challenges, internal auditors should leverage The IIA’s Artificial Intelligence Framework—Global Prospective. Internal Audit should be prepared to advice Board, Coordinate with First Line and Second Line of Defense and provide reasonable assurance on AI where organizations are taking business decisions basis machine learnings & leverage AI tools for conducting the audits by providing real-time reports.