

AI to IA: How Internal Audit Can Adopt and Address AI Risk



The Institute of
Internal Auditors



Jamey Loupe, CISA, CCSK

PRINCIPAL, DATA RISK AND CONTROLS RISK ADVISORY SERVICES

Jamey Loupe is a Principal in BDO's Risk Advisory Services practice where he focuses on IT risk advisory solutions. He has more than 19 years of experience leading and organizing teams and projects and has provided audit and advisory services to various Fortune 500 and mid-size multinational companies in multiple industries. Prior to joining BDO, Jamey worked in the internal audit and information technology (IT) security functions for oil and gas services companies. Prior to that he was with a Big Four Firm.

His experience includes:

- ▶ Leading, managing and conducting IT internal audits
- ▶ Managing complex IT Sarbanes-Oxley (SOX) compliance projects
- ▶ Recommending and implementing IT process improvements
- ▶ Conducting and leading enterprise resource planning (ERP) pre- and post-implementation reviews
- ▶ Conducting IT security assessments

EDUCATION

- ▶ Cybersecurity Certificate, Harvard University
- ▶ M.L.A., Information Management Systems, Harvard University Extension
- ▶ B.A., Information Systems Decision Sciences, Louisiana State University

PROFESSIONAL AFFILIATIONS

- ▶ Institute of Internal Auditors (IIA)
- ▶ Information Systems Audit and Control Association (ISACA)
- ▶ Cloud Security Alliance (CSA)
- ▶ Marine Corps Association and Foundation (MCA&F)



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Corey Bean

DIRECTOR, ANALYTICS AND INNOVATION RISK ADVISORY SERVICES

Corey is a Director in BDO's Risk Advisory Services and leads the Innovation and Analytics practice. Corey has more than 14 years of experience in guiding clients through complex risk and compliance challenges using data-driven strategies and advanced analytics. With a focus on internal audit and SOX, Corey specializes in deploying intelligent automation and innovative data solutions to optimize business practices, strengthen internal controls, and drive value across critical business functions. His experience includes:

- ▶ Leading, managing, and developing data-driven strategies to support Internal Audit
- ▶ Designing and implementing Sarbanes-Oxley intelligent automation
- ▶ Custom automation and analytics supporting various business processes

Prior to joining BDO, Corey served as a leader within a Big Four firm's Risk and Regulatory group focused on digitally upskilling his team and clients while helping to drive tech adoption within Internal Audit functions to improve compliance processes.

Corey has experience supporting a variety of industries including Fortune 500 clients in aerospace & defense, financial services, energy & utilities, healthcare, manufacturing and technology industries.

EDUCATION

- ▶ B.B.A., Merrimack College



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Learning Objectives



Gain insights into the evolution of technologies that are available to support internal audit functions



Develop an understanding of value-added use cases for internal audit using various technologies



Recognize key risks of adopting Artificial Intelligence and mitigating factors and controls





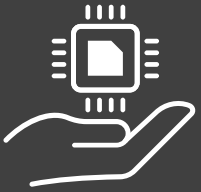

Identify how utilizing Artificial Intelligence to conduct audit procedures can provide efficiencies and the ability for the organization to better address critical risks



Conduct insightful conversations with employees and management regarding the adoption of AI

Introduction

AI Introduction

Machine Learning	Neural Networks / Deep Learning	Generative AI	Predictive Analytics
			

- ▶ What is Artificial Intelligence (AI)?
- ▶ Core functionalities (Deep Learning, Machine Learning, Generative AI, Predictive Analytics, Natural Language Processing)
- ▶ The rise of AI in business processes and its growing adoption of AI across industries
- ▶ AI and its potential impact on auditing projects

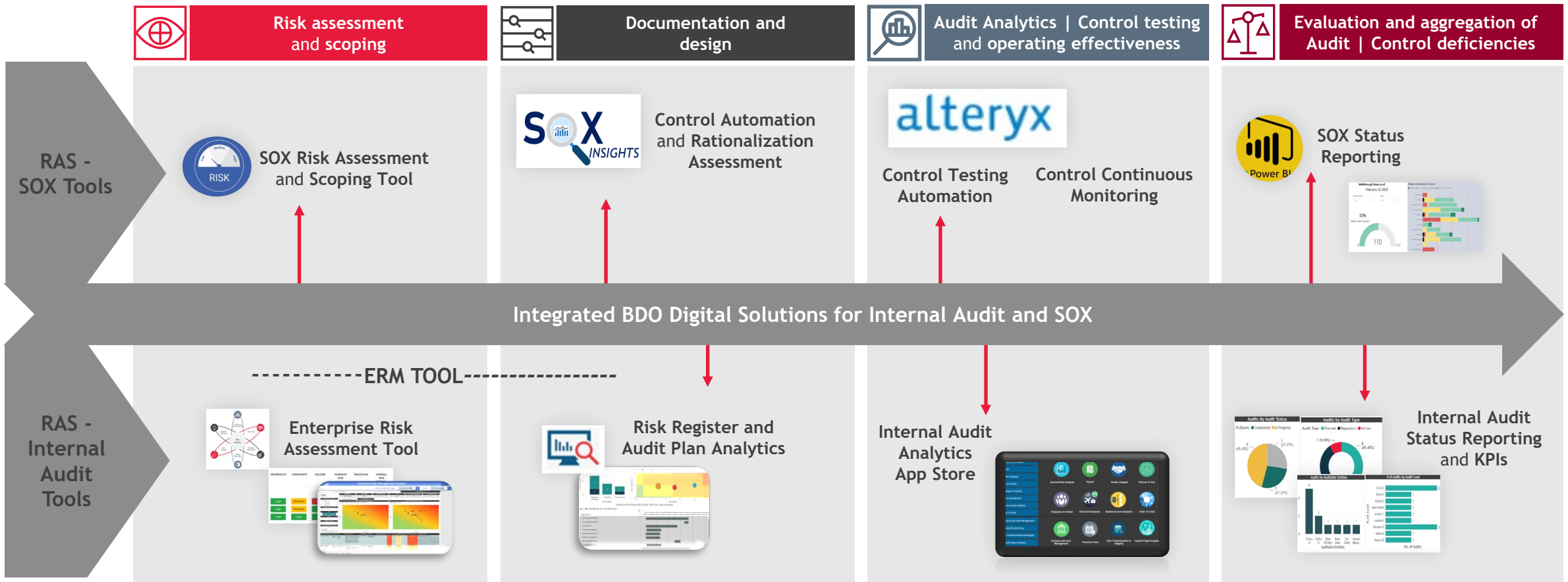
The Digital Ecosystem for Internal Audit and Compliance Functions

Digital transformation is achieved through a variety of tools and techniques. Leading Internal Audit teams are combining multiple tools from the ecosystem to reach their specific vision and goals.

Data Automation	Advanced Data Analytics	Robotic Process Automation	Artificial Intelligence
<p>Data wrangling and transformation tools to discover, merge, interpret and summarize large data sets.</p> <ul style="list-style-type: none">▶ Decreases process time▶ Enables repeatable process▶ Automates manually intensive mundane tasks▶ Creates resource capacity for more strategic work improving employee satisfaction▶ Test 100% of the population▶ Increase coverage areas using automation▶ Automatically create/ populate workpapers	<p>Graphical representation of data to quickly analyze large data sets through interactive charts and graphics with drill down capabilities to drive insights</p> <ul style="list-style-type: none">▶ Decreases process time▶ Instantly recognize patterns in the data and analyze millions of data points▶ Creates more time for analyzing insights, trends and business value generation▶ Share audit insights and findings via visual depictions▶ Automate the audit reporting process	<p>Computer software or a “robot” that emulate and integrate the actions of a human interacting within digital systems to execute a process.</p> <ul style="list-style-type: none">▶ Decreases process time▶ Ability to run 24/7 performing manually intensive tasks▶ Streamlines testing processes▶ Reduces outsourcing, offshoring and operations▶ Creates resource capacity for more strategic work & analysis	<p>Generative AI, such as ChatGPT, is a type of AI technology that broadly describes machine learning systems capable of generating text, images, code, or other types of content, often in response to a prompt.</p> <ul style="list-style-type: none">▶ Automatically process a range of time-consuming language-based tasks normally fulfilled by humans▶ Machine learning algorithms to “predict” or generate results▶ Ability to gather, maintain, and analyze large amounts of data, using both human and AI tools, to arrive at the best decisions
<p>Difficulty: Low/Citizen-led Time to Value: 1- 2 months Cost: Low</p>	<p>Difficulty: Low/Citizen-led Time to Value: 1-2 months Cost: Low</p>	<p>Difficulty: High/IT dependent Time to Value: 3-6 months Cost: High</p>	<p>Difficulty: Medium/IT dependent Time to Value: 2-3 months Cost: Medium</p>

BDO's Digital Tools for SOX and Internal Audit Programs

Our current technology tools enable the SOX and Internal Audit compliance program of the future, reduce cost, and improve quality with minimal disruption.



Use Cases for NextGen Technology and Analytics for Internal Audit



USE CASE #1

Enterprise Risk Assessment Project

Hi, I am Emma Jones. I am the Internal Audit Director for a Renewable Energy company.

- ▶ My team has to perform our annual enterprise risk assessment within a very tight budget and deadline.
- ▶ Our process is very manual, and we are looking for ways to gain efficiencies this year.
- ▶ We had a team meeting to discuss options and came up with the following questions:
 - Is there a more efficient way to collect risk data?
 - How can we identify new or emerging risks in our industry?
 - Are there standard interview questions for targeted risk stakeholders?
 - What templates or information can we leverage?
 - Summarizing results is so time consuming, what tools can help us?
- ▶ How can AI and digital tools help my team gain efficiencies with the risk assessment process this year?



Digital Approach for Emma's Enterprise Risk Assessment

Risk Assessment Planning

- ▶ Open AI and ChatGPT can be used to benchmark new and emerging risks in her industry
- ▶ Standard Questionnaire templates per stakeholder available to team

What new and emerging risks should I consider for a renewable energy company?



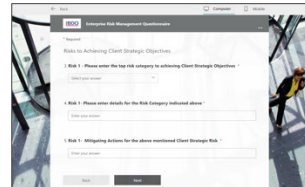
ChatGPT
As a renewable energy company, while you're poised to benefit from the transition to sustainable energy sources, there are still several emerging risks you should consider:

- Policy and Regulatory Changes:** Shifts in government policies and regulations can impact the renewable energy sector significantly. Changes in subsidies, tax incentives, or renewable energy targets can affect project economics and market demand.
- Market Competition:** Increasing competition from traditional energy sources or other renewable energy companies can affect your market share and profitability. Additionally, technological advancements or breakthroughs in energy storage could disrupt existing market dynamics.
- Supply Chain Disruptions:** Dependence on rare earth minerals, critical components, or specific geographic regions for sourcing materials could expose your company to supply chain disruptions due to geopolitical tensions, trade disputes, or natural disasters.
- Technological Risks:** Emerging technologies such as advanced energy storage, grid integration, or innovative renewable energy solutions could render existing technologies obsolete or less competitive. Investing in R&D and staying updated with technological advancements is crucial to mitigate this risk.
- Cybersecurity Threats:** With the increasing digitization and interconnectedness of energy systems, cybersecurity threats such as hacking, data breaches, or ransomware attacks pose significant risks to the reliability and security of renewable energy infrastructure.

Survey QID	Risk Statement / Question	Answer	No. of Responses	Risk Substances
1	How likely is your company to be impacted by changes in government policies and regulations over the next 5 years?	High	12	Policy and Regulatory Changes
2	How likely is your company to be impacted by increasing competition from traditional energy sources or other renewable energy companies?	Medium	15	Market Competition
3	How likely is your company to be impacted by supply chain disruptions due to geopolitical tensions, trade disputes, or natural disasters?	Medium	10	Supply Chain Disruptions
4	How likely is your company to be impacted by emerging technologies that could render existing technologies obsolete or less competitive?	Low	8	Technological Risks
5	How likely is your company to be impacted by cybersecurity threats such as hacking, data breaches, or ransomware attacks?	High	14	Cybersecurity Threats

Gathering Risk Data

- ▶ Web-based surveys distributed to obtain risk ratings
- ▶ Digital tools are used to summarize and calculate risk ratings for impact and likelihood based on results from surveys



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3	How likely is your company to be impacted by supply chain disruptions due to geopolitical tensions, trade disputes, or natural disasters?	Medium	10	Supply Chain Disruptions
4	How likely is your company to be impacted by emerging technologies that could render existing technologies obsolete or less competitive?	Low	8	Technological Risks
5	How likely is your company to be impacted by cybersecurity threats such as hacking, data breaches, or ransomware attacks?	High	14	Cybersecurity Threats

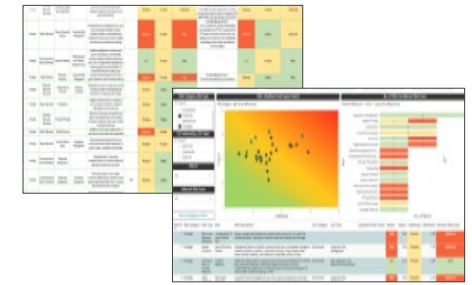
Assessing Risks

- ▶ Review initial assessment based on the qualitative and quantitative factors
- ▶ Generate a draft risk register with inherent risks based on the risk data collected
- ▶ Add mitigating controls for residual risk score

Risk ID	Risk Type	Risk Statement / Question	Impact	Likelihood	Inherent Risk Score	Mitigating Controls
1	Policy and Regulatory Changes	Changes in government policies and regulations over the next 5 years could significantly impact the renewable energy sector, affecting project economics and market demand.	High	Medium	Substantial	1. Long-term contracts with government entities to ensure stable revenue streams. 2. Diversification of market segments to reduce dependency on a single market. 3. Proactive engagement with regulatory bodies to influence policy-making.
2	Market Competition	Increasing competition from traditional energy sources or other renewable energy companies could affect your market share and profitability.	Medium	High	Major	1. Differentiate your offerings through innovative services and customer support. 2. Focus on niche markets or specialized services where you have a competitive edge. 3. Strategic partnerships and alliances to expand your market reach.
3	Supply Chain Disruptions	Supply chain disruptions due to geopolitical tensions, trade disputes, or natural disasters could expose your company to significant risks.	Medium	Medium	Minor	1. Diversify your supply chain sources to reduce dependency on a single region. 2. Establish strategic relationships with key suppliers to ensure continuity. 3. Invest in inventory management and logistics optimization.
4	Technological Risks	Emerging technologies such as advanced energy storage, grid integration, or innovative renewable energy solutions could render existing technologies obsolete or less competitive.	Low	Low	Minor	1. Continuous R&D investment to stay at the forefront of technological advancements. 2. Collaborate with industry partners and academic institutions for joint research and development. 3. Flexible business models that can adapt to new market entrants.
5	Cybersecurity Threats	With the increasing digitization and interconnectedness of energy systems, cybersecurity threats such as hacking, data breaches, or ransomware attacks pose significant risks to the reliability and security of renewable energy infrastructure.	High	High	Major	1. Implement robust cybersecurity measures, including firewalls, intrusion detection, and encryption. 2. Regular security audits and penetration testing to identify vulnerabilities. 3. Employee training and awareness programs to reduce human error.

Deliver Results & Reporting

- ▶ Power BI dashboards for reporting to enable team to drill down into insights and reporting to upper management and audit committee



USE CASE #2

Tech-Enabling Internal Audits

Hello, I am Amber, a VP of Internal Audit for Global Comp, Inc.

- ▶ Our Internal Audit field work continues to be time-consuming and very manual.
- ▶ Our team of Internal Auditors is small, supporting multiple international locations and entities.
- ▶ Typical audits take anywhere from 2-3 months to complete so weaknesses and errors can go undetected for long periods of time.
- ▶ Our audit sampling methods do not give us a representative sample of the population.
- ▶ Data volume is large, and our teams have difficulty identifying high-risk transactions.
- ▶ Recently, leadership has asked us to cut costs while the number of risks have increased, requiring more time needed for internal audit services.
- ▶ How can AI or digital tools be used to reduce time and tech-enable the execution of Internal Audits?



Digital Approach to Tech-Enable Amber's IA Function



Scan audit plan for tech-enabled audits

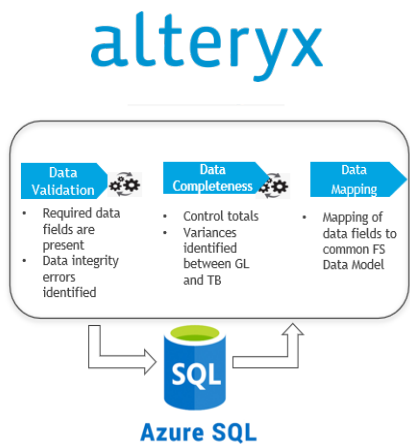
Area	Start Date	End Date	Status
AP	01/01/2024	03/31/2024	Completed
Payroll	01/01/2024	03/31/2024	Completed
Financial Close	01/01/2024	03/31/2024	Completed
System Access	01/01/2024	03/31/2024	Completed
Vendor Integrity	01/01/2024	03/31/2024	Completed
Order to Cash	01/01/2024	03/31/2024	Completed
Travel and Expense	01/01/2024	03/31/2024	Completed
Capital Project Analysis	01/01/2024	03/31/2024	Completed
System Access Analytics	01/01/2024	03/31/2024	Completed
Employees vs Vendor	01/01/2024	03/31/2024	Completed
Treasury and Cash Management	01/01/2024	03/31/2024	Completed
Financial Close	01/01/2024	03/31/2024	Completed
Data Transformation & Integrity	01/01/2024	03/31/2024	Completed

- ▶ Financial Close
- ▶ AP Audits
- ▶ User Access
- ▶ Payroll

Source data



Extract & transform



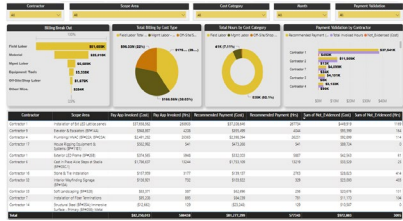
Build automations & analytics for internal audits



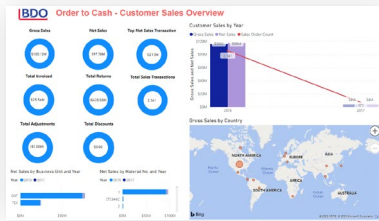
- ▶ Reduce cost of Audit
- ▶ Increase risk coverage
- ▶ Gain efficiencies
- ▶ Obtain risk-based insights

Pre-Built Data Analytics Solutions

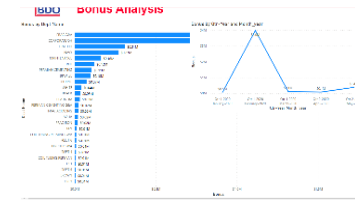
DATA-DRIVEN INSIGHTS INTO NEW AND EMERGING RISK AREAS FOR INTERNAL AUDIT



Construction Audits
Perform review of construction projects by analyzing rates and terms per contract to actual hours and billings by cost category, cost types, etc.



Order to Cash (Insights to sales activity and customer distribution, sales price analysis, DSO, customer analysis, shipped but not invoiced/unbilled)



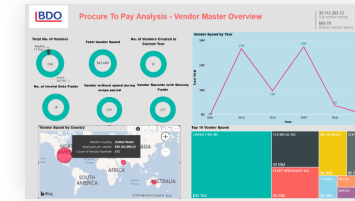
Payroll
Identify payments before hire/after termination, high overtime in pay period, duplicate bank accounts, off-cycle payments



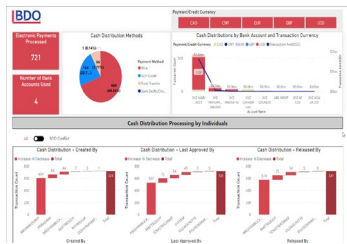
Inventory Management
Provide insights into inventory to include carry cost by vendor, stock out rates and fill rates by item category, aging of quantity on hand



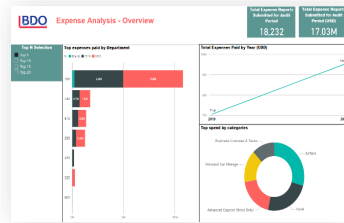
Journal Entry Analyzer
Quickly identify unusual and unauthorized journal entries, automate completeness test, prioritize review based on risk, helps CFO and controller build trust in journal entry process



Vendor Integrity
Top vendor spend, total vendors with no invoices, payments to inactive vendors, vendor records with missing fields



Treasury and Cash Management
Review cash distribution by payment method, bank account activity by period and user, account distributions



Travel & Expense
Review expense ratios by department, miscellaneous expense types, incompatible expenses, duplicate submissions, non-compliance with company policy



Accounts Payable
Identify duplicate vendor/payments, one-time payments, restricted vendors, lost discounts

Digital Tools and Intelligent Control Automation

The use of innovative technologies such as workflow automation, analytics, and RPA can drive automation within a SOX and Internal Audit program. Below, you can see a list of use cases for control testing and continuous monitoring.



Innovative technology can enable your SOX program to be more effective and drive insights.

CONTROL TESTING AUTOMATION

- ▶ SOD Testing
- ▶ User Termination & Transfer
- ▶ Financial reconciliations
- ▶ A/R and A/P
- ▶ Invoice and Payment
- ▶ Master Data Changes
- ▶ Order Management
- ▶ Revenue Flux
- ▶ Trade Compliance

CONTINUOUS MONITORING

- ▶ Workforce Compliance
- ▶ Expense and P-card Analytics
- ▶ SOD and User Access
- ▶ Journal Entries
- ▶ Invoice and PO compliance
- ▶ P/L by trends by global location
- ▶ Know your vendor

Audit quality improvement

Processing time reduction
(< 40% for SOX)

Cost of Compliance
reduction

Real time Reporting

Increased risk coverage

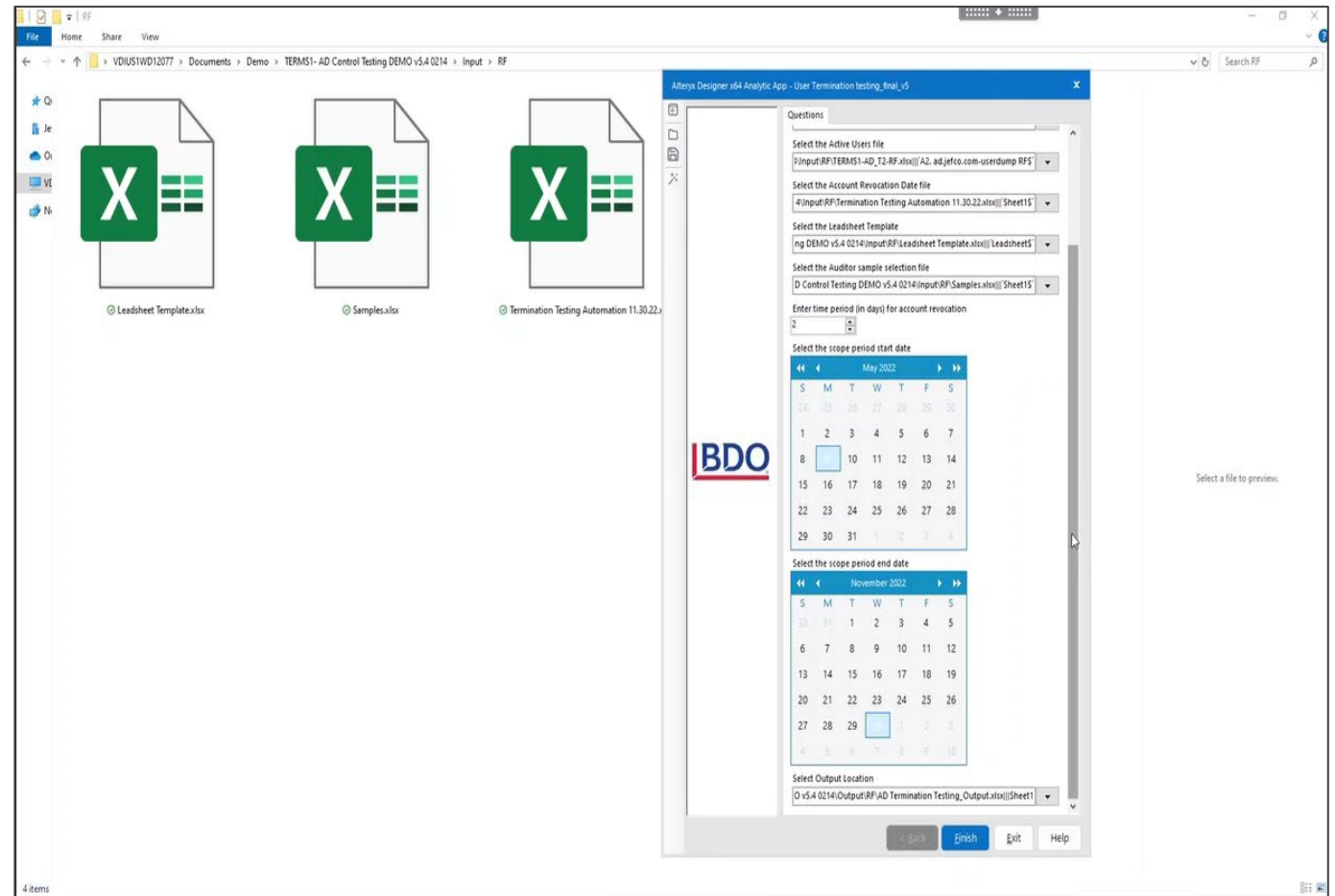
Use Case - User Termination Access Control Testing Automation

Let's see how the manual testing of a **User Access Removal control for Windows Active Directory** can be automated.

The solution is built to identify termed employees whose account access is active in the Active Directory records. It is configured to test two attributes:

- Access status of termed user
- Review the timeliness of account revocation

The solution compares the account revocation date to the maximum allowable days defined per the **company policy** and highlights employee information which do not comply to the defined policy and procedures.



How Internal Audit Can Leverage AI

AI Benefits Summary

- ▶ **Time-Saving:** provide quick and accurate answers to questions, eliminating the need for extensive research.
- ▶ **Idea Generation:** generate ideas and offer suggestions for various tasks, such as brainstorming sessions or creative projects.
- ▶ **Language Assistance:** assist with language-related tasks, such as proofreading, grammar suggestions, and language translation.
- ▶ **Learning and Education:** serve as an educational resource, providing explanations, examples, and training scenarios.
- ▶ **Task Automation:** automate some simple tasks, such as generating code snippets or providing basic information.
- ▶ **Virtual Assistance:** act as a virtual assistant, helping with basic tasks like setting reminders, making to-do lists, and creating efficiencies.

MIT Study on Gen AI Productivity

A March 2023 MIT research paper on 444 professional workers evidenced substantial gains in efficiency, satisfaction, and quality of work against a control group, when completing real-world style tasks.



EFFICIENCY GAINS : Approximately 37% less time spent on the same task. Creating a rough draft took the participants 50% less time than the control group.

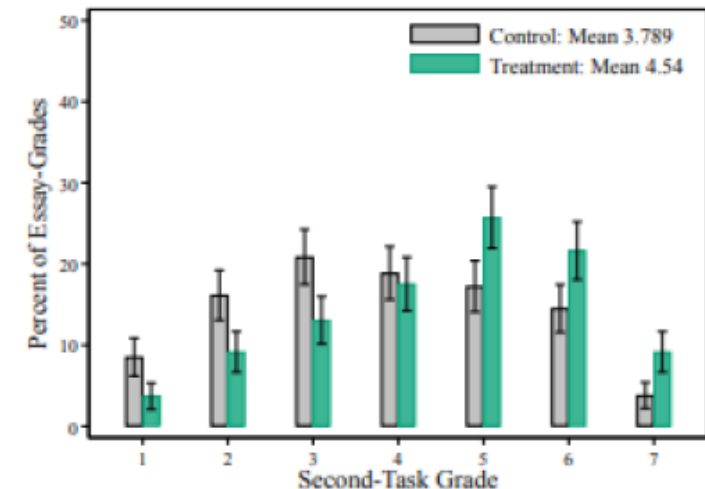
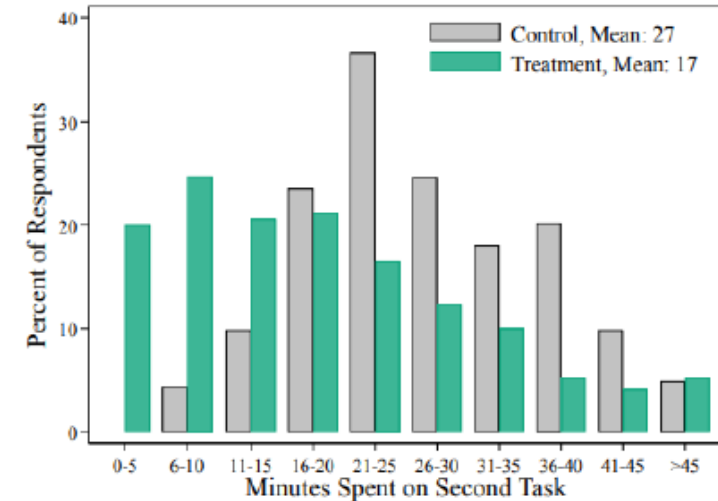


INCREASED SATISFACTION: Study recipients report materially higher satisfaction after completing a task with Gen AI versus without.



INCREASED QUALITY: Marks received by the treatment group were 20% higher than the control group. Importantly, the spread of grades became tighter, reflecting the substantial benefit to workers with lower writing ability, boosting them closer to high performing workers.

(c) Time Distribution (Second Task)



The Road to AI

Wherever you are in your artificial intelligence (AI) adoption journey, BDO Digital can help you seize opportunities, solve business problems, and drive growth with AI.



Opportunity to Leverage Next-Generation Digital Tools Can Be Found Throughout the Internal Audit Lifecycle

TECHNOLOGY ENABLERS

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Advanced Analytics



Process Intelligence



Robotics



Artificial Intelligence (AI)

- ▶ Training and Skill Development using ChatGPT
- ▶ Continuous Learning & Knowledge Sharing using ChatGPT
- ▶ Control Rationalization and Automation Assessment
- ▶ Digital Maturity Assessment

- ▶ Predictive Analytics
- ▶ Automated Data Testing
- ▶ 100% Coverage
- ▶ Control Validation
- ▶ Chat Bots for Auditors
- ▶ AI-Enabled Fraud Detection
- ▶ Risk-Based Sampling

Planning & Information Gathering

Risk Assessment & Audit Plan

Assess Plan & Perform Audits

Deliver Results and Reporting

- ▶ Risk Assessments using AI and ChatGPT
- ▶ Interactive Risk Register
- ▶ Audit Planning & Resource Allocation

- ▶ Automated Audit Reports
- ▶ Interactive Status Dashboards and Reporting
- ▶ Continuous Monitoring of Compliance Metrics

Embedded and Sustainable solutions

USE CASE

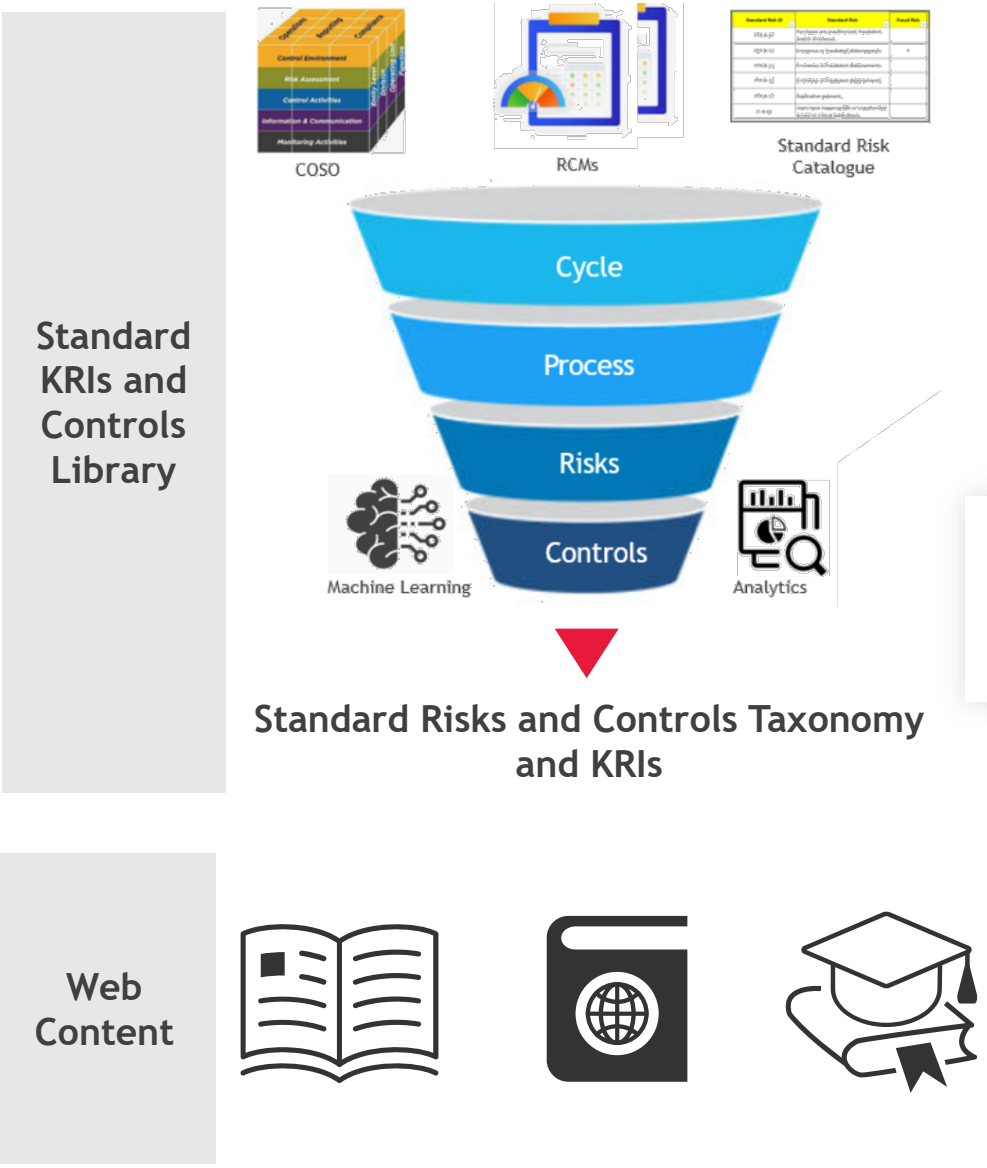
ChatGPT for Internal Audit

Hi, I am Carl Wilson, the Chief Audit Executive for a large manufacturing firm. We are based in 125 countries with over 7,000 offices and 150,000 employees.

- ▶ My team doesn't have a complete list of Key Risk Indicators by business process and audit area
- ▶ Often, our teams perform audit testing procedures for similar audits in an inconsistent and manual way
- ▶ I have been assigned the task of enhancing our controls environment by finding ways to implement more preventative vs detective controls
- ▶ I have also been asked to find more opportunities to replace manual controls and procedures with more automated controls
- ▶ I have a small team of auditors that must support several audits globally
- ▶ How can I leverage artificial intelligence and ChatGPT?



In-House GPT solution for Control Gap Analysis, Rationalization and Automation



OpenAI
ChatGPT

What are some preventative controls I can implement in my Procure to Pay cycle?

What SOX controls should be automated for Procure to Pay?

What controls should I consider for the Journal Entry process?

Prompting Best Practices



Define the Role

- ▶ Specify who or what the AI should emulate, setting the context for the response.
- ▶ Unclear: "Explain SOX testing results" (Doesn't define the audience or the role to adopt.)
- ▶ Clear: "You are an internal auditor preparing a summary of key SOX testing results for the CFO..."



Set the Tone

- ▶ Define the tone of the response, such as formal, conversational, persuasive, or friendly.
- ▶ Unclear: "Write this professionally" (Too vague - What level of professionalism?)
- ▶ Clear: "Use a formal and professional tone suitable for presenting to the Board of Directors..."



Specify the Language

- ▶ Indicate the style and complexity of the language, such as simple, technical, or jargon-free, or specify a target audience.
- ▶ Unclear: "Explain IT controls" (Doesn't define the audience or level of detail.)
- ▶ Clear: "Use plain language to explain IT control deficiencies to a non-technical audience..."



Provide Context

- ▶ Offer background information or clarify the situation to help the AI tailor the response.
- ▶ Unclear: "Summarize audit findings" (No clarity on what findings or for whom.)
- ▶ Clear: "Summarize findings from the recent third-party vendor audit for the risk management team..."

Prompting Best Practices



Define the Objective

- ▶ Clearly outline what you want to achieve.
- ▶ Unclear: "Suggest fraud detection strategies" (No focus or scope.)
- ▶ Clear: "Highlight two critical fraud detection strategies relevant to accounts payable audits..."



Use Examples

- ▶ Provide examples of the desired format or structure.
- ▶ Unclear: "Do it like a standard audit memo" (Assumes familiarity with an undefined standard.)
- ▶ Clear: "Use this as reference: 'A strong SOX testing framework includes clearly documented controls, testing procedures, and remediation plans...'"



Output Format

- ▶ Clearly state the format and length you want the response in.
- ▶ Unclear: "Write about controls" (Doesn't specify the desired structure)
- ▶ Clear: "Provide a table with columns for Control, Risk Addressed, and Testing Procedure..."



Iterative Refinement

- ▶ If the first response isn't what you're looking for, adjust the prompt by clarifying or adding details.
- ▶ "Draft a memo outlining key findings from the cybersecurity audit"
- ▶ "Focus more on critical vulnerabilities identified and the immediate actions required."
- ▶ "Make the final version visually appealing by adding bullet points and a short conclusion."

Data Analytics & Continuous Monitoring

- ▶ AI can analyze vast amounts of data for anomalies and fraud detection (identifying patterns, trends, anomalies in large datasets)
- ▶ The use of AI for continuous monitoring of controls and transactions (fraud detection and risk assessment)
- ▶ Examples of AI-powered audit tools (real-time monitoring and controls)
- ▶ Data visualization tools for impactful reporting



AI

Enhanced Risk Assessment

- ▶ AI can identify emerging risks within the organization
- ▶ Leveraging AI to analyze historical data for better risk predictions
- ▶ AI can help prioritize risks based on potential impact
- ▶ Manage risk and compliance to meet evolving business and regulatory requirements

Improved Efficiency

- ▶ AI can automate (streamlining repetitive tasks, data extraction, reconciliation, analysis)
- ▶ AI-powered tools for document review and interview transcription
- ▶ Potential for AI to free up auditor time for more strategic analysis
- ▶ Standardized, consistent workpapers, audit execution, and reports
- ▶ Interconnectivity support that AI brings from cross-platforms, various disciplines and the world wide web

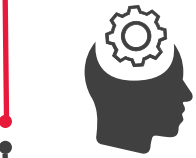


How Organizations Can Leverage AI

AI in Your Day

MARKETING

Creates email copy, social media posts, and blog articles



SENTIMENT ANALYSIS & BRAND REPUTATION

Processes text to identify sentiment toward a brand or product

HEALTHCARE

Analyzes patient symptoms and medical history and generates a list of possible conditions



FINANCIAL ANALYSIS AND REPORTING

Generates financial reports from data, assists analysts and investors in decision-making

LEGAL

Drafting legal documents & contracts



INTERNAL AUDIT

Analyzes financial data for unusual patterns, identifies potential fraud

RECRUITING

Screens resumes for relevant skills and experiences, Generates clear and detailed job descriptions



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TECHNOLOGY

Software development and code generation

CUSTOMER EXPERIENCE

Instant customer support and personalized assistance



AI-Enabled Applications

Integrate advanced generative AI technologies, such as ChatGPT, into familiar tools used by employees and customers. This approach addresses the challenges of user adoption by enhancing existing applications



Game Changing Processes

Using AI to drive efficiency in the apps users already spend their time in or in new, purpose-built experiences



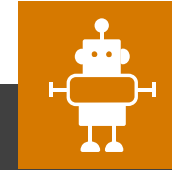
Disparate Data No Problem

Use AI to bring together data from multiple sources and search it



The Easy User Journey

Simple conversational interactions, voice-enabled control, and user-centric interfaces make life easier



Constant AI-Powered Assistance

Embedded AI assistants provide continuous support and information retrieval



Intelligent Content Generation

Auto-generated content speeds users through processes that would otherwise have them typing for hours

Generative AI Possibilities in Marketing



GENERATION

- ▶ Product descriptions and postings
- ▶ Product photos
- ▶ Marketing materials
- ▶ Seller review suggestions
- ▶ Resolve customer complaints and disputes
- ▶ Automated reporting
- ▶ Code for product features



INSIGHT/ANALYSIS

- ▶ Conduct research on topics of interest to clients
- ▶ Analyze client data including social media, product reviews, comments, customer service interactions
- ▶ Provide tailored data-driven recommendations
- ▶ Suggest the 'Next Best Offer' and determine the ideal marketing mix using historical data and predictive insights



IDEATION

- ▶ Ideate new features
- ▶ Develop customized product design
- ▶ Generate customer experience improvements
- ▶ Co-collaborate with AI



SIMULATION

- ▶ Simulated customer persona panel
- ▶ Empathize with the client journey
- ▶ Tailor marketing and communications for specific audiences
- ▶ Conduct sentiment analysis on reviews or survey responses

Generative AI Possibilities for Legal



RESEARCH

Help lawyers and legal research find relevant case law, statutes, regulations, and legal opinions by providing quick and accurate answers to their queries



CONTRACTS

Assist with reviewing and analyzing contracts, identifying potential risks, and highlighting important clauses or legal obligations



COMPLIANCE

Provide guidance on regulatory compliance matters, such as data protection laws, antitrust regulations, or environmental regulations along with advice on best practices



TRAINING

Create interactive training modules or onboarding materials for employees, covering topics like legal compliance, workplace policies, ethics, and provide guidance to ensure employees have a clear understanding of legal matters

Generative AI Possibilities for Tax



PREDICTIONS

Historic datasets for predictions and actions

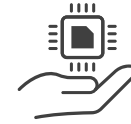
- ▶ Trial balance
- ▶ Transfer pricing
- ▶ Transactions
- ▶ YoY ETR
- ▶ State
 - Apportionment
 - Nexus
 - UTP



CLASSIFICATION

Algorithms to suggest classification or anomalies

- ▶ Trial balance
- ▶ VAT
- ▶ Transfer pricing
- ▶ Fixed assets
- ▶ R&D document Analysis



GENERATIVE AI

Visualizations, transcript summary, and presentations

- ▶ Executive/audit summaries
- ▶ Talk to your ERP
- ▶ Analysis
 - Materiality
 - Comparisons
- ▶ Advanced Analytics



COPILOTS / SMART ASSISTANT

Operational efficiencies and collaboration

- ▶ Spreadsheet review
- ▶ Document search
- ▶ Talk to your mailbox
- ▶ Priority and task management

Risks Associated with AI

Artificial Intelligence Failures in the News

TastingTable.

McDonald's Is Removing Its Current AI Technology From More Than 100 Drive-Thrus

March 2024

Copilot goes into autopilot, starts breaking rules

April 2024

X's chatbot Grok accuses NBA player of going on vandalism spree after it misinterprets tweets about game

August 2023

Pregnant woman sues after AI accuses her of carjacking

September 2023

AI-generated song submitted to the Grammys

June 2024

Microsoft Recalls CoPilot+

Rite Aid Banned from Using AI Facial Recognition After FTC Says Retailer Deployed Technology without Reasonable Safeguards

Risks of AI



Privacy and Cyber Security

- ▶ Privacy
- ▶ Identity
- ▶ Data Security
- ▶ Secure Cloud
- ▶ Incident Response



Responsibility and Accountability

- ▶ Acceptable use
- ▶ Societal / Market Impacts
- ▶ Regulatory Environment
- ▶ Accountability of Outcome



Misinformation and Inaccuracies

- ▶ Output Integrity
- ▶ Validation
- ▶ Intellectual Property Concerns



Bias and Discrimination

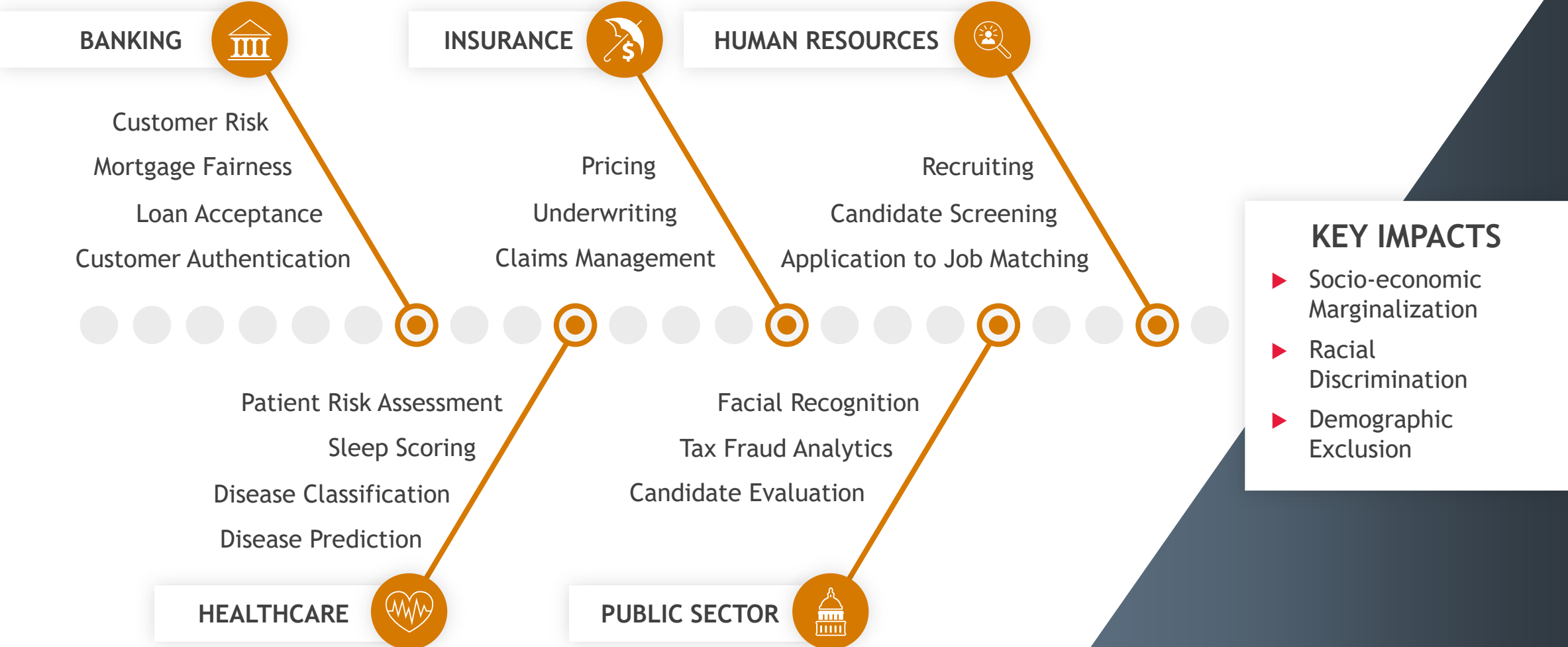
- ▶ Unintended Bias
- ▶ Unrecognized data patterns
- ▶ Market Fit



Regulations and Requirements

- ▶ Regulatory Alignment
- ▶ Governance of Program

Key Industries and Potential Bias



Third Party Vendor AI Risks



- ▶ Lack of Transparency and Explainability
- ▶ Intellectual Property (IP) Ownership
- ▶ Model Performance and Maintenance
- ▶ Vendor Lock-in
- ▶ Business Continuity and Exit Strategy
- ▶ Regulatory Compliance

Risk Mitigations

Control Objectives for AI Risk Mitigation

- ▶ Develop AI Strategic Plan
- ▶ Data Governance
- ▶ Model Validation and Testing
- ▶ Transparency and Explainability
- ▶ Intellectual Property Management
- ▶ Model Performance Monitoring
- ▶ AI Framework or Model
 - ▶ EU AI Act
 - ▶ ISO 42001

EU AI ACT

What is the EU AI Act?

- The EU AI Act went into effect in July/August 2024, it is the first comprehensive regulatory framework for artificial intelligence, aiming to ensure AI systems are safe, transparent, and respect fundamental rights.
- It applies to AI systems developed, deployed, or used within the EU, as well as those affecting EU citizens.

Key Objectives:

- Promote trustworthy AI by addressing risks and ensuring accountability.
- Prohibit unacceptable AI practices (e.g., social scoring, manipulative AI).
- Classify AI systems based on risk levels: unacceptable, high, limited, and minimal.

Why It Matters for Internal Auditors:

- Organizations must ensure compliance with the Act to avoid penalties (up to 6% of global revenue).
- Internal auditors play a critical role in assessing AI governance, risk management, and compliance frameworks

EU AI ACT

Key Considerations for Internal Auditors

Risk-Based Approach:

- High-risk AI systems (e.g., in healthcare, recruitment, or law enforcement) require rigorous assessments, documentation, and human oversight.
- Internal auditors must evaluate whether AI systems meet these requirements.

Compliance Checks:

- Ensure AI systems align with the Act's transparency, data governance, and accuracy standards.
- Verify that prohibited AI practices are not in use.

Audit Readiness:

- Assess organizational readiness for regulatory inspections and audits.
- Review internal policies, risk management processes, and AI system documentation.

Next Steps for Auditors:

- Stay informed about the Act's implementation timeline and updates.
- Collaborate with IT, legal, and compliance teams to build a robust AI governance framework.
- Develop audit programs tailored to AI risk management and compliance.

What is ISO 42001?

ISO 42001 is a standard focused on the governance of artificial intelligence (AI). It provides guidelines for managing AI risks and ensuring ethical and responsible AI deployment.

ISO 42001 Controls Domains

1. AI Policies:

1. **Objective:** Provide management direction and support for AI systems.
2. **Controls:** Establish and document AI policies, align them with other organizational policies, and review them regularly.

2. Internal Organization:

1. **Objective:** Establish accountability for AI system management.
2. **Controls:** Define roles and responsibilities and implement processes for reporting concerns.

ISO 42001 Control Domains (Cont'd)

3. Resources for AI Systems:

1. **Objective:** Ensure proper accounting of AI system resources.
2. **Controls:** Document resources, including data, tooling, system, computing, and human resources.

4. Assessing Impacts of AI Systems:

1. **Objective:** Evaluate impacts on individuals and societies.
2. **Controls:** Establish processes for impact assessment and document results.

5. AI System Life Cycle:

1. **Objective:** Manage AI system development responsibly.
2. **Controls:** Define objectives and processes for AI system design, development, verification, validation, deployment, and operation.

ISO 42001 Control Domains (Cont'd)

6. Data for AI Systems:

1. **Objective:** Manage data quality and provenance.
2. **Controls:** Document data management processes, acquisition, quality, and preparation.

7. Information for Interested Parties:

1. **Objective:** Provide necessary information to stakeholders.
2. **Controls:** Ensure system documentation is available, facilitate external reporting, and communicate incidents.

8. Use of AI Systems:

1. **Objective:** Ensure responsible use of AI systems.
2. **Controls:** Define processes and objectives for responsible use, and ensure systems are used as intended.

9. Third-party and Customer Relationships:

1. **Objective:** Manage responsibilities and risks with third parties.
2. **Controls:** Allocate responsibilities, manage supplier relationships, and consider customer expectations.

AI Trusted Testing Program

OUTCOMES:

- ▶ Reduce bias
- ▶ Reduce inaccuracies
- ▶ Identify customer experience issues
- ▶ Identify critical bugs
- ▶ Improve NPS
- ▶ Improve accessibility for disabled users

It's important to test your AI against a diverse set of real-world users



LLM APPLICATION
Text or Voice interaction



**PERSONAL DATA
CONSENTS & NDAS**



DIVERSIFIED TEAM

Example: Age, gender, ethnicity, disability, sexual orientation, socio economic, education
Experts: Medical, Financial
Location: Cultural context



TESTING STRATEGIES

Prompt Input/Responses

- ▶ Natural usage
- ▶ Directed usage
- ▶ Adversarial

Testing for: Biased and/or inaccurate responses

User Feedback

- ▶ Surveys to gauge user satisfaction, trustworthiness, pain points
- ▶ Measure attributes, such as latency for voice interaction

Quality Assurance

- ▶ Exploratory, scripted
- ▶ Localization
- ▶ Accessibility

Conclusion

Conclusion

- ▶ Key takeaways on AI's potential for various projects
- ▶ Collaboration with IT and data science teams
- ▶ Developing an AI strategy
- ▶ The importance of AI governance and risk management strategies
- ▶ The future of AI and its continued impact on our profession

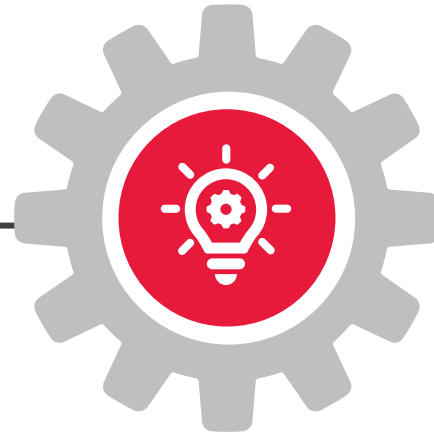


Final Thoughts & Takeaways



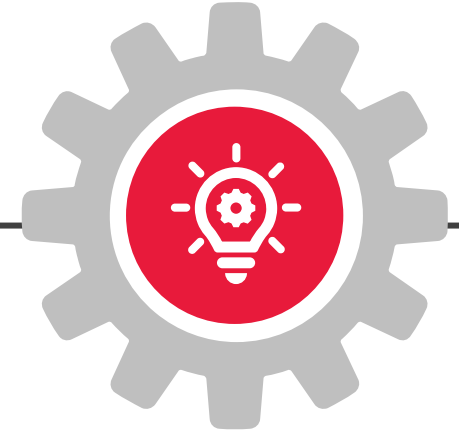
Numerous Use Cases

AI has numerous use cases throughout the organization



Additional Risks

With the use of AI, as with any technology, comes additional risks



Internal Audit Can Help

As Internal Audit professionals we can help the organization adopt AI in a risk responsible manner

Questions?



Thank You



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JOIN US!



JOIN US!

**Future-Proofing
Internal Audit:
Integrating Analytics
and Technologies
Responsibly**

TUESDAY, MARCH 25, 2025
3:00 – 4:00 PM ET / 2:00 – 3:00 PM CST



JOIN US!

**Strengthening
Corporate
Governance and
the Key Role of
Internal Audit**

TUESDAY, APRIL 29, 2025
3:00 – 4:00 PM ET / 2:00 – 3:00 PM CST



JOIN US!

**Navigating
Third Party Risk:
Internal Audit's
Strategic Role**

TUESDAY, JUNE 24, 2025

3:00 – 4:00 PM ET / 2:00 – 3:00 PM CST



JOIN US!

Top 10 SOX Priorities and Considerations for Internal Auditors

TUESDAY, SEPTEMBER 30, 2025
3:00 – 4:00 PM ET / 2:00 – 3:00 PM CST



JOIN US!

**Executive
Presence Unleashed:
The Internal
Auditors' Guide to
Building Relationships**

TUESDAY, DECEMBER 9, 2025
3:00 – 4:00 PM ET / 2:00 – 3:00 PM CST



A modern office interior featuring a staircase with a glass railing, a reception desk with the BDO logo, and large windows overlooking a city skyline. The scene is dimly lit, suggesting an evening or night setting.

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