

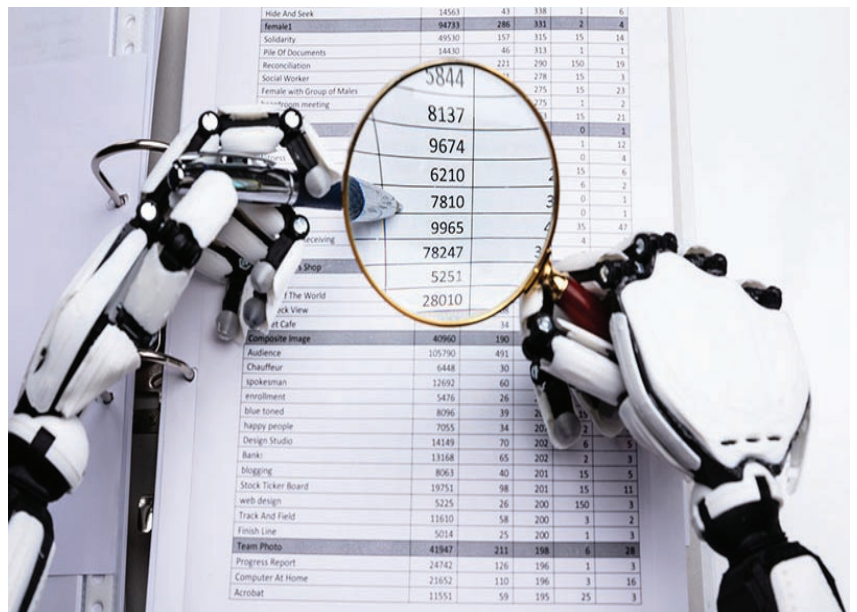
Artificial Intelligence Auditor & Auditing Models

Do you want the investor who is opening up a new bank account should know the Board of Directors of the Bank and their profile? Should an investor know the CASA Ratio of the bank before parking FD in that bank? Should an investor periodically read the quarterly report of the bank and annual report of the Bank where he has parked his hardcore savings? Well, the questions might sound like strange but that is what has now become the norm where the word caveat emptor has become the protocol. This article is not degrading any profession or any aspect as such but more to enlighten that adoption of technology which will help to reduce the errors and gaps of individuals/firms etc and keep Indian corporate governance standards highly respected. The prime objective of the article is that India cannot afford to have a BFSI crisis as we had in the last couple of years.



Yes Disaster economy. Lower taxes reduce investments in democratic country. The problem is that Total Factor Economy is being ignored and the basics of the human labour are being ignored. If a qualified person is not getting job that does not mean jobs are not available in the market. Neither the blame can be passed to technology advancement.

Should a Bank investor who has invested his hard savings into Bank know the leverage ratio of the Bank towards the loans? Well, auditors and their reports have failed to trigger alerts for the investors and also for society. From the story of Global Trust Bank which collapsed followed with the recent PMC bank, the story remains the same that at the end the investor burnt fingers from investment. When these banks went for collapse the industry went for a wild toss. The BFSI space is under the lens after a couple of NBFC also went for a wild toss.



The crisis of liquidity did not emerge from the failure of the banking or NBFC system. It has emanated from the governance and lack of competency standards and ethical aspect of the BFSI space. We know very well that how Indian economy went through when the NBFC and Banking crisis erupted.

One of the most important questions which kept ringing in the minds of the investors and common people is that was there any mechanism through which there was any slightest highlight on such foul plays. The Indian Auditing Standards and auditors are the names of the system which triggers the red alert on the fraud practices. But where were these alerts and what role did the auditors play in terms of protecting the society?

Frauds and data games have become a common practice for the financial fraud segment. Financial business needs transparency and the same cannot be achieved if either auditor is part of manipulation or either their reports of the highest quality are suppressed. In most cases, things are compromised under management influence.

It is time for extending the technology with the Auditing standards to strengthen corporate governance and keeps check on imbalances. Yes, these imbalances are very critical part which technology jointly with auditing model can help India not to face situations like the past 2 years.

This is not the battle between auditors or raising a question about professional abilities. The current changing times when governance have become a major limelight issue for the Indian economy we cannot afford to have any major impact of the financial discrepancy. Auditing and Auditors need a new version based on technological advancement. Artificial Intelligence-based Auditors and Auditing Model. Artificial intelligence auditing model will help to detect financial discrepancy, improvise governance and also alert the top management about the deviations.

AI-based auditing model will reduce the dependency of the current system on human intervention and more transparency in the system. Places where PMC type of leveraged transaction comes into play and which are hidden will come across the table when AI-based auditor through AI model and machine learning system will work upon the lines of predictive analysis.

We need to understand that Auditing is not limited to check the true and fair position of the internal and external affairs but to work as a predictive model to alert the system about the gap in the foreseeable future. When an AI-based auditing model will be developed the same machine learning tool will be the prime server of identification of gaps and force able danger from the current business practices.

AI Auditing is a machine learning continuous programme through which the system only improvises over the long term in terms of auditing standards. Sector-specific AI-Machine learning-based Auditors. This will help to maximise the efficiency of identifica-

tion of gaps within a particular industry/company or on the national income and growth of the economy. The Machine learning is a continuous process and cannot be capped at any point.



In the past decade, we have tightened stringent norms of auditing and its standards to improve the efficiency but gaps keep erupting as the fraud perpetrators are smarter than the highly educated auditors. All the auditors can create a model of AI-based auditing model were through the Machine learning (which is a continuous process) but accumulated at one centre will help the auditing to be more efficient and less harmful form individual /firms malpractice.

Machine learning models will help to raise an alert within the system and also outside the system so that people and the society followed with appropriate governing bodies can identify the gaps. Now a debate might come up that Machine learning models of AI-Based auditing are more powerful than human intervention. Well, the key differences will be that AI-based model of auditing will be transparent from any influence and also continuous learning from experts of the industry will help the AI platform to become the prime server or source of experience of 100 years plus.

AI-based auditing model will help to divulge out the complicated situation much before they erupt and destroy the Indian economy. AI should be used to detect the hidden or suppressed financial intricacies which are an alert for society before the boom and bust happened.

AI-based auditing models will work as concurrent auditing model for the internal as well for the external stakeholders. AS the Indian economy will grow the financial intricacies will also go into more complexes and hence we need more stringent policies and process to manage the Indian BFSI space.

We cannot afford to have a Great Recession again since this time we don't have much of mass weapons of saving the failing global economy. Auditors and auditing role are very important for the safeguard of society. We cannot blame a particular segment since when corruption happens it spreads likes cancer. The only thing we can do is to take the support of advanced technology is safeguarding the Indian governance rated issues.

Written by Indraneel Sengupta Vice President-Business Development, Research & Product.
+91 99878 24927 / indranil.sengupta@ifan.co.in

SPA Group (Corporate Office), 25, C-Block Community Centre, Janak Puri, New Delhi-110 058, India. Contact: 011-45675500 / 45586600

IFAN Finserv Private Limited (A SPA Group Company), 804, Hallmark Busines Plaza, Bandra (East), Mumbai-400 051, India.
Toll free contact : 1800 22 6784, Contact: 022 4061 7990, Email : advisor@ifan.co.in Website : www.ifan.co.in

CIN U72900MH2005PTC154875 | SEBI: IA Number: INA000003304

This Document is for information purposes only and for internal circulation to the registered associates only. This Document and the information (including any opinion/s view point/s) contained therein do not constitute a distribution, an endorsement, an investment advice, an offer to buy or sell or the solicitation of an offer to buy or sell any securities or any other financial products/investment products (collectively "Products") mentioned in this Document or an attempt to influence the opinion or behaviour of the Investors / Recipients. Investors/Recipients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors, as they believe necessary, before investing in such Products. The opinion incorporated in this document is solely to enhance the transparency and should not be treated as an endorsement of any Product in any manner whatsoever. Investments in Products are subject to market risks, various micro and macro factors and forces affecting the capital markets and include price fluctuation risks. There is no assurance or guarantee/warranty that the objectives of any of the Products will be achieved. IFAN, its affiliates, their directors / proprietor / partners, employees, representatives or agents shall not be liable or responsible, in any manner whatsoever, to any Investor/Recipient or any other person. The distribution of this Document in certain jurisdictions may be restricted / prohibited by law and the persons who come into possession of the Document should inform themselves about and observe any such restrictions/prohibitions. The information in this Document reflects prevailing conditions as of date of publication and is subject to change from time to time. The distribution, reproduction or other use of all or any portion of this Document is prohibited.