



Driving the digital age

Scaling digital programs through effective risk management

With the acceleration and proliferation of digital technologies such as Robotic Process Automation (RPA) and Artificial Intelligence (AI), the road ahead holds vast opportunities for organizations. As humans and machines collaborate to drive strategic outcomes, are management and Internal Audit (IA) equipped and positioned to navigate the new risk terrain of this evolving technology landscape to help ensure that their stakeholders are maximizing the value from these capabilities while effectively managing risk?

In a recent Deloitte survey¹, 83% of executives said AI will be very or critically important to their business success in the next two years, and 95% said they have concerns around ethical risks arising due to AI. As AI proliferates, organizations must work toward AI that delivers on transparency, privacy, and impartiality.

Source: Dbriefs, “AI risk and rewards: Striking the right balance for your organization” (Sept. 30, 2020)

During a November 2020 **Dbriefs webcast**, Deloitte discussed an overview of emerging technologies and effective risk management techniques for digital transformations, specific risks associated with metrics involved in external reporting and internal monitoring, and Trustworthy AI™. During this webcast, Deloitte also surveyed nearly 3,000 professionals about the extent of their organizations’ digital transformation, IA’s level of involvement, their greatest challenges in auditing advanced digital capabilities, and their approaches to ethical concerns surrounding AI. Here’s what they had to say.

How would you describe your organization’s adoption and leverage of digital capabilities (e.g., analytics, machine learning, robotic process automation)?

Absent - We do not currently leverage digital capabilities, nor do we have plans to do so	6%
Basic - We currently leverage basic data analytics, data visualization, and robotic process automation	30%
Building - We currently leverage basic data analytics, data visualization, and robotic process automation	31%
Advanced - We currently leverage analytics, data visualization, robotic process automation, and other types of advanced digital technologies	12%

*Note: 21% of respondents answered “don’t know/not applicable”

The majority of respondents, nearly 75%, report that their organizations have begun to take advantage of the opportunities presented by digital technologies, though significant diversity exists in the organizations’ levels of advancement. Wherever your organization falls in the process of digital transformation, effective end-to-end governance of these technologies remains critical. Building bots is only the start; true value and impact derive from defining the right operating model and effectively managing the process, operations, employees, and risk tied to the automation.

As more organizations move from absent or basic toward advanced, IA should play a key role, not only to reactively monitor gauges and warning lights but to proactively help chart the course ahead.

Does your organization’s internal audit team audit the risks associated with the use of advanced digital capabilities (e.g., machine learning, robotic process automation)?

Yes	23%
No, but we plan to in the next 12 months	16%
No, and we do not plan to	17%

Note: 44% of respondents answered “don’t know/not applicable”

With the growth of digital investment, an opportunity exists for many organizations to develop a forward-looking framework rather than a rearview-mirror approach to digital risks, taking command of their risk management and remaining strategically positioned along with the 23% who already audit these risks.

When building that framework, people typically think of IT risk, but should think more broadly and address all major areas where risks occur:

- Automation strategy and governance: Guiding principles, expected ROI, management engagement, and monitoring
- Digital operating model: Opportunity identification, prioritization, development, and deployment
- Business unit: Impact of automation on current operations and roles/responsibilities

What is your organization’s biggest challenge while auditing automation, metrics, and/or AI?

Lack of skills and expertise among auditors	22%
Lack of formal methodology and framework	18%
Inability to review the code	8%
Inability to review design documentation	8%

Note: 44% of respondents answered “don’t know/not applicable”

A lack of skills and expertise among auditors and lack of a formal audit methodology framework emerge as the greatest challenges organizations face when auditing advanced digital capabilities. Both relate to the question: how do you help your business users who may not be tech-aware better understand the technology so they can work hand in hand to drive digital transformation? By focusing on building awareness and education and providing end users with the required skillsets, organizations can elevate digital fluency and give auditors and decision-makers the tools they need.

How have you considered ethical and bias risks associated with AI?

We have developed an ethical risk framework that we consistently apply	11%
We have considered ethics and bias risks but do not have a formal framework	18%
We have yet to consider ethical and bias risk, though we plan to	20%

Note: 51% of respondents answered “don’t know/not applicable”

With only 11% of respondents formally addressing ethics and bias concerns, a large opportunity exists to capture the benefits of trustworthy AI, including improved decision-making, reduced legal costs, and increased brand equity.

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