



Exploring the risks and rewards of Generative AI advancements

Internal Audit Megatrends

Artificial Intelligence (AI) is an umbrella term encompassing many different techniques and capabilities and, at its core, refers to the simulation of human intelligence in machines. You might have heard of terms like machine learning, deep learning, convolutional neural networks, computer vision, and natural language processing to name a few. AI differs from previous technological advances like rules-based statistical automation or even robotic process automation (RPA) as AI is good at 3 things: 1) making sense of things, 2) decision making, and 3) taking action.

The AI field has taken a turn with the release of Generative AI (GenAI), made popular by OpenAI’s ChatGPT (Chat Generative Pre-Trained Transformer) in November 2022 and its many competitors (such as NVIDIA’s Nemo, Google’s Bard, and Meta’s LLAMA). GenAI has democratized AI such that this high-powered use case chatbot is something everyone can interact with and see the power of AI. As a result, the world is seeing an explosion of use cases where GenAI is creating new content across data modalities—everything from complex business documents, videos, and images.

The popularity and accessibility of GenAI tools have quickly made its use commonplace by businesses, creating challenges and opportunities for Internal Audit (IA) departments. What should IA teams consider when thinking about the risks of and opportunities for GenAI?

5 insights you should know

GenAI is a continued evolution of AI capabilities and is a result of advances in computing power and advances in the algorithms themselves. GenAI solutions are underpinned with Foundation Models (FMs) like pre-trained Large Language Models (LLMs) which have learned on a broad set of generalized data (text, images, audio) and are adaptable across a number of use cases. Generative AI models generate data by learning data distributions, and are further instruction fine tuned to interact and produce various outputs (text, code, images) by taking in a variety of prompt inputs in different formats.

GenAI is quickly evolving, both in technical complexity and capabilities. The excitement and desire to develop use cases across the enterprise, both formally and informally, is a common topic; however, while **speed to market is desired, education and new approaches are required.**

GenAI (and other AI) projects are not only technology projects, they are business projects and involvement of **key subject matter resources with domain knowledge are needed early and consistently as part of the team developing the accountability framework.**

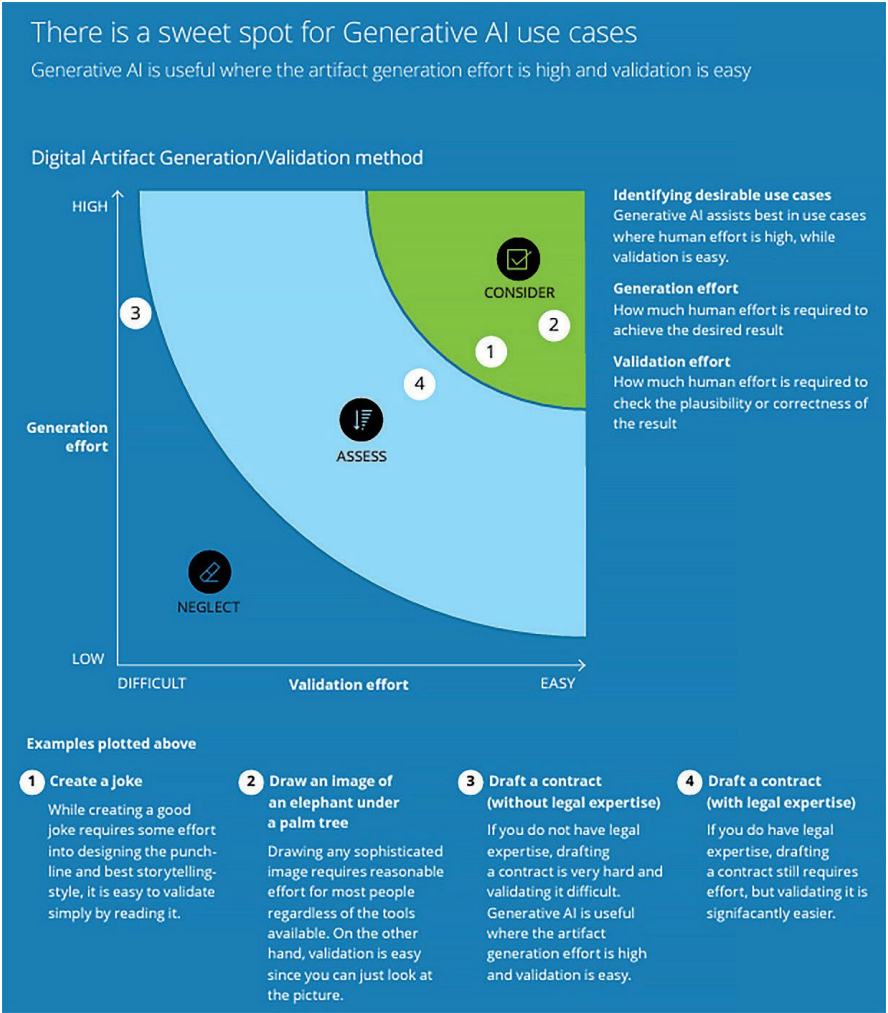
The use of public or private GenAI tools adds a new layer of risks including **data leakage** of sensitive information, the use of **biased data in producing outcomes, improper usage of Intellectual Property (IP), and difficulties in testing and explaining** GenAI models. Additionally, the fear of risks in using GenAI can cause organizations to shy away from the capability, missing an opportunity to realize significant benefits.

There are numerous use cases for IA’s use of GenAI including audit report generation, Industry Benchmarking of Risks, Smart Document Analysis, and the creation of AI-Powered Chatbots (to name a few). As the capabilities of GenAI have pushed traditional capabilities and historic use cases, **legacy intake and use case prioritization models (including expected benefits) may need to evolve.**

5 actions you can take

- 1 **Develop a strategy for GenAI and integrate/harmonize it with your digital IA strategy and the enterprise’s existing AI strategy.** The same principles that guide an AI-fueled organization apply to the use of GenAI (e.g., access to curated enterprise data; AI governance; process transformation to leverage cognitive workers). With AI technology evolving rapidly, avoid the temptation to go forward alone. Find support and knowledge from internal partners and third-party organizations operating in this space.
- 2 Become familiar with the underlying technologies that make GenAI possible, as well as the current capabilities and limitations. **Educate your workforce in the usage, risks, and capabilities of AI to establish a baseline of knowledge through training and assess where updates to policies are required.** Also, monitor over time how the technology advances and the impact on business risks and opportunities (including policies and controls), as they emerge.
- 3 Bring together a cross disciplinary team of people with the domain IA and risk knowledge to think creatively about potential use cases. When business leaders, technology leaders, and creatives collaborate with subject matter and technical resources, they may be better able to identify valuable applications and also **design GenAI deployments with consideration to mitigating related business and technology risks**, including meeting applicable laws and regulations.
- 4 A refresh of AI risk review and mitigation strategies (including governance strategies and policies) is needed for organizations wishing to leverage GenAI without introducing significant risk. **This includes evolving legacy AI risk frameworks to consider challenges around bias and misinformation, attribution, transparency, enterprise accountability around the impacts of GenAI, and building a plan to review high risk use cases.**
- 5 Organizations should explore the use of private GenAI models that allow teams, including IA, to significantly reduce the efforts spent in generating and accessing information. Additionally, assess your current intake and prioritization models, and identify ways to evolve them. This might consider **capabilities of GenAI from incremental digitization of basic productivity use cases to higher order opportunities, such as new, differentiating IA services and creative ways to deliver value for stakeholders.** Refer to page 2 for an example.

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Representative GenAI use cases for IA and Risk Management

Risk assessment	Generate insights from analysis of risk assessment interview notes (both during the annual risk assessment process and ad-hoc discussions with key stakeholders) Analyze and benchmark risks from public disclosures/10-K reports across competitors and other industries compared against IA risk universe
Fieldwork	Generate IA scope memos, kick-off memos and work plans, and test plans based on analysis of legacy artifacts and emerging trends or hot topics Develop real-time descriptive text and insights (including flagging of anomalies and development of trends) based on continuous monitoring analytic powered dashboards Automate the review of audit evidence, including policies, management reporting, and other supporting documentation
Reporting	Generate initial draft of issues reporting (including themes, risks, and corrective action plans) based on legacy reporting Analyze a significant number of IA reports / and issues to identify thematic issues across geographies, business units, etc.

For more information, or to explore insights visit:

Trusted Generative AI

GenAI Use Cases – Cross Industry & Cross Domain

Why CFO's should care about GenAI

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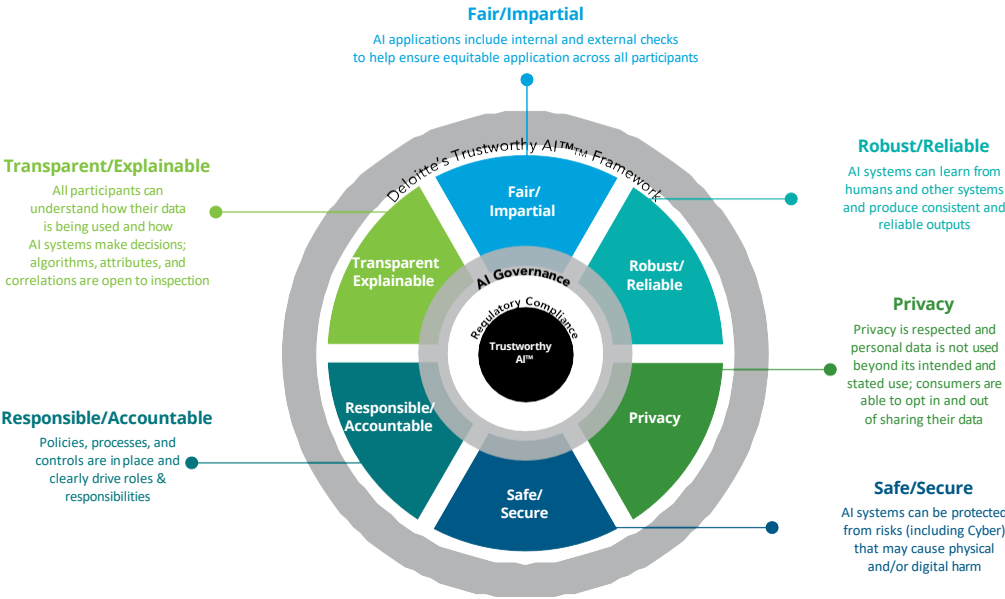
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A framework to help effectively manage AI's unique risks

Trustworthy AI™ provides an effective approach to manage AI risks, which can be integrated into existing enterprise risk management efforts



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