Audit Red-Flag Detection & Feedback System using AI + RPA

Automating Compliance Checks with Auditor-In-The-Loop Feedback

Presented by: **Saavi & Garima**

🙏 Built using ChatGPT for Python coding, Streamlit for UI development, and sample data created using real audit scenarios

💡 The Challenge: Manual Audits Face Critical Bottlenecks

High Volume of Transactions

Auditors must review thousands of vouchers, each requiring meticulous compliance checking across multiple regulatory frameworks

- Complex transaction patterns
- Multiple compliance requirements
- Time-sensitive reviews

Repetitive & Time-Consuming Work

Manual verification of every voucher creates tedious workflows, especially when similar patterns repeat across transactions

- Recurring pattern checks
- Resource-intensive processes
- Inefficient time allocation

Human Errors & No Feedback Loop

Risk of oversight increases with fatigue, and traditional systems lack mechanisms to learn from past audit decisions

- Fatigue-related mistakes
- No pattern recognition
- Limited improvement mechanisms

🧾 Real-World Scenario: The Auditor's Dilemma

Imagine reviewing 5,000 vouchers manually

An auditor must meticulously verify compliance across multiple sections:

- **Cash payments > ₹10,000** – Section 40A(3) violations
- **Missing TDS deductions** – Sections 194C, 194J compliance
- **GST input-output mismatches** – Revenue reconciliation

Traditional Process Problems

The current workflow creates significant inefficiencies:

- Manual scanning of Excel spreadsheets
- Handwritten notes for suspicious items
- Re-checking similar vouchers repeatedly
- No systematic rule or pattern memory

This manual approach often results in **40-60 hours per week** spent on routine compliance checks, leaving insufficient time for strategic analysis and risk assessment.

🤖 Our Solution: AI + RPA Based Flagging Tool

01

Automated Voucher Scanning

System automatically identifies potential rule breaches across all uploaded vouchers using predefined compliance parameters

02

Intelligent Flag Display

Each flagged voucher is presented with comprehensive details, context, and relevant regulatory references for auditor review

03

Auditor Decision Interface

Streamlined interface allows auditors to accept/reject flags, add custom comments, and submit reviews with complete audit trail

04

Continuous Learning Loop

Feedback is systematically captured and stored, enabling future auto-suppression of false positives and improved accuracy

Key Innovation: Auditor-In-The-Loop Feedback ensures human expertise guides system learning while automation handles routine detection tasks.

🧠 Key Benefits: Transforming Audit Efficiency

Saves Significant Time

Automatically flags only suspicious vouchers, reducing review time by 70-80%. Auditors focus on high-risk items rather than scanning every transaction manually.

Reduces Human Errors

Consistent, automated rule-checking eliminates fatigue-related oversights. Standardised compliance verification ensures no critical violations are missed.

Auditor-Friendly Interface

Clean, intuitive UI presents relevant information contextually. Advanced filtering and search capabilities streamline the review process significantly.

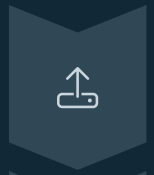
Continuous System Learning

Machine learning algorithms improve accuracy over time using auditor feedback. False positive rates decrease as the system learns organisational patterns.

Highly Scalable Solution

Easily extendable to additional laws, clauses, and compliance frameworks. Supports multiple audit domains and regulatory requirements simultaneously.

🔁 System Workflow: From Data to Decision

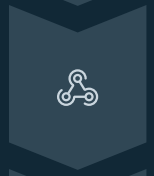


Data Ingestion

Upload voucher data in Excel/CSV format. System validates data structure and prepares for automated processing.

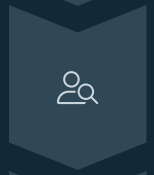
Rule-Based Scanning

Automated compliance checks across Section 40A(3), TDS regulations, GST requirements, and custom organisational rules.



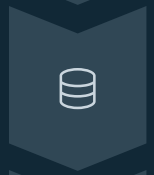
Streamlit Web Interface

Flagged items displayed with advanced filters, search functionality, and detailed transaction context for efficient review.



Auditor Review Process

Accept or reject flags with detailed comments. System maintains complete audit trail and decision reasoning.



Feedback Storage

All decisions and comments stored systematically in CSV/Database for future reference and system improvement.

Future Learning Layer

To be implemented: Auto-suppression of recurring false positives based on historical audit decisions and patterns.

📈 Observations and Unique Features

Technical Achievements

- ✔️ Built using **AI tools like ChatGPT + Python** by CA students with zero coding background
- ✔️ Clean and interactive **Streamlit UI** for seamless user experience
- ✔️ Comprehensive rule logic covering Section 40A(3), Section 43B, 194C, 194J, and GST compliance
- ✔️ Advanced filtering per clause, severity level, and status
- ✔️ Complete audit trail with auditor comments and decisions stored systematically

Installation & Usage

- Python + Virtual Environment + PIP installation
- Simple command-line launch process
- Web-based interface accessible through any browser

Traditional Audit

- Manual, slow process
- Prone to human errors
- Repetitive effort required
- No memory of past flags
- Limited user interface

AI + RPA Tool

- Fast, automated processing
- Consistent logic application
- Learns and improves over time
- Comprehensive feedback storage
- Auditor-friendly web interface

🏁 Conclusion & Future Roadmap

✨ This project demonstrates how AI + RPA revolutionises audit practices

Faster & Smarter Audits

Automated routine checks while maintaining auditor control and oversight throughout the entire process

Learning Feedback Loop

Continuous improvement through systematic capture and analysis of auditor decisions and feedback patterns

Scalable Compliance

Extensible across TDS, GST, Income Tax Act, Related Party Transactions, and Form 3CD clause-wise checks

🔮 Next Steps: Future Development Scope

1. **Machine Learning Integration**
   Implement advanced ML algorithms to learn from accepted/rejected flags and improve prediction accuracy
2. **Smart Auto-Suppression**
   Automatically suppress repetitive false positives based on historical patterns and auditor preferences
3. **Extended Compliance Coverage**
   Add support for additional clauses, indirect tax checks, and industry-specific compliance requirements
4. **Real-Time ERP Integration**
   Connect directly to ERP systems for continuous, real-time scanning and immediate compliance alerts