

The Algorithmic Witness: Company Secretary as Architect of the AI-Powered Audit

As traditional audits falter under surging data and regulatory complexity, Artificial Intelligence (AI) emerges as an indispensable ally for Company Secretaries (CS). This article explores AI's transformative role across financial, internal, GST, forensic, ESG, and secretarial audits, showcasing techniques like anomaly detection, process mining and natural language processing. Tools like HALO, Clear, and Karza, tailored to India's compliance landscape, offer a robust arsenal. Yet, governance challenges—black box risks, data privacy under the DPDP Act, and legal admissibility—demand ethical oversight. Far from replacing the CS, AI empowers them to evolve from compliance officers to strategic assurance architects, navigating India's dynamic governance landscape with precision, trust and foresight.



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INTRODUCTION

BEYOND THE MAGNIFYING GLASS

For decades, the auditor has wielded a magnifying glass, meticulously inspecting sampled corners of a vast corporate landscape through diligence and professional judgment. But what if you held a satellite's all-seeing eye, capable of scanning every transaction, every entry, and every digital footprint in real-time? This is no mere speculation—it is the fundamental redefinition of assurance being driven by Artificial Intelligence (AI).

The modern Indian enterprise operates within a “data tsunami.” Millions of invoices, tens of thousands of vendor payments, and ceaseless filings on the Goods and Services Tax Network (GSTN) flood complex ERP systems. In this environment, sampling—a once-practical compromise—has become a high-stakes gamble. It risks overlooking critical discrepancies like duplicate payments, circular trading, or GST input credit mismatches, which can easily snowball into material misstatements or severe regulatory breaches.

This scale not only challenges human capacity but also creates opportunities for deception. Sophisticated fraudsters can exploit these gaps, masking illicit entries within the torrent of routine data, far beyond the practical

limits of manual review. Simultaneously, stakeholders—from the Board and Audit Committee to investors—are no longer satisfied with “reasonable assurance”; they demand deeper, near-real-time insight.

Into this breach, AI emerges not as a rival, but as the Company Secretary's most vital ally. By enabling 100% population checks, continuous auditing, and proactive risk forecasting, it amplifies human judgment, freeing governance professionals for strategic analysis and high-level insights. For the CS, this technology sparks a profound evolution—from a reactive compliance officer to a proactive **strategic assurance architect**. Tailored for India's governance landscape, this article unravels AI's practical applications across financial, forensic, GST, ESG, and Secretarial Audits, offering a roadmap to not just adapt, but to lead this transformation.



THE IMPERATIVE FOR CHANGE – THE WALLS OF TRADITIONAL AUDIT

The traditional audit model, long a cornerstone of corporate governance, is buckling under the pressures of the modern digital economy. Four formidable “walls”—Scale, Complexity, Deception and Expectation—combined with a robust regulatory push, reveal why AI is not just an enhancement but an urgent necessity for assurance professionals, including Company Secretaries (CS).

The Scale Wall towers over manual methods. A mid-sized Indian enterprise might generate 3 million invoice lines, 50,000 vendor payments, and daily GST filings annually. Traditional sampling, which might cover 1% of these

transactions, leaves 99% unexamined—vast blind spots where risks hide. AI-powered tools break this barrier by enabling 100% population testing, analyzing entire datasets in minutes to pinpoint anomalies.

The Complexity Wall reflects today's intricate business landscape. India's GST regime demands reconciling GSTR-1, GSTR-3B, and GSTR-2B filings, tracking HSN code discrepancies, and unravelling group-entity structures or circular trading networks. Manual audits struggle to connect these dots. AI, however, excels at normalizing disparate data sources, delivering precise insights into hidden control failures.

The Deception Wall shields sophisticated fraud. Modern schemes—like payments split just below approval thresholds (e.g., ₹4,99,999) or phantom vendors with near-identical names—are designed to evade detection. Time-constrained human auditors, prone to cognitive biases, miss these subtle patterns. Machine learning algorithms, by contrast, detect dispersed anomalies across millions of records with unmatched accuracy.

The Expectation Wall has been elevated by stakeholders. Boards, investors, and regulators now demand near-real-time, comprehensive assurance, far beyond the traditional year-end snapshot. SEBI's Business Responsibility and Sustainability Reporting (BRSR) mandate for the top 1,000 listed companies (from FY 2022-23) has paved the way for data-driven ESG oversight, with a phased introduction of mandatory reasonable assurance on certain ESG metrics.

Underpinning these challenges is a Regulatory Push. The Companies Act, 2013, mandates a built-in audit trail for accounting software, a requirement that became fully effective from April 1, 2023, ensuring tamper-proof transaction records. Globally, the IAASB is shaping standards for technology-enabled audits. For CS professionals, these developments signal a clear directive: embrace AI to deliver continuous, data-universe auditing that meets modern demands.

AI IN ACTION – A PANORAMIC VIEW ACROSS THE AUDIT SPECTRUM

The shift to AI-powered auditing is no longer a vision—it's a reality transforming the audit landscape. For Company Secretaries (CS), mastering this transition means navigating a spectrum of applications, from financial rigour to ESG validation. This section explores AI's practical impact across six key audit domains, empowering CS professionals to architect modern governance.

1. Fortifying the Core – Financial & Internal Audits

Techniques: Machine learning for anomaly detection; process mining for control gaps.

AI revolutionizes financial and internal audits by enabling 100% population testing. Machine learning algorithms learn an organization's "transactional DNA," flagging outliers like duplicate payments or entries posted at odd hours. Process mining creates visual maps of processes like Procure-to-Pay, exposing deviations from designed workflows.

Example: An Indian automotive manufacturer deployed AI to scan its general ledger, identifying 500 suspicious transactions, including payments to vendors with near-identical GSTINs and 12% of invoices bypassing three-way matching (PO, invoice, GRN). This saved crores annually and shifted audits from retrospective checks to predictive risk alerts, empowering the CS to strengthen controls proactively.



2. Taming the Digital Trail – The GST Audit Revolution

Techniques: AI-driven reconciliation of GSTR-1, GSTR-3B, and GSTR-2B; ITC mismatch detection; circular trading analysis.

India's GST regime demands precision, but manual reconciliation is error-prone. AI engines match filings with ERP data in minutes, flagging mismatches and invalid GSTINs. Advanced tools map vendor-customer networks to detect circular trading.

Example: Consider a typical mid-sized logistics firm. By using an AI tool to reconcile GSTR-2B with supplier invoices, identifying 27 ITC mismatches and a circular trading pattern among vendors. This reduced compliance risks and saved 40 hours monthly. CBIC's AI risk profiling

further inspires firms to adopt such tools, enabling CS professionals to ensure proactive compliance.

3. Unearthing Deception – AI in Forensic & Fraud Audits

Techniques: Pattern recognition, NLP for email analysis, behavioral analytics. AI excels at detecting sophisticated fraud hidden in data. Pattern recognition spots subtle anomalies, like payments just below approval thresholds. NLP analyzes email sentiment for collusion, while behavioral analytics flags insider threats.

Four formidable "walls"—Scale, Complexity, Deception, and Expectation—combined with a robust regulatory push, reveal why AI is not just an enhancement but an urgent necessity for assurance professionals, including Company Secretaries (CS).

Example: A leading NBFC used AI to investigate expense surges, correlating vendor payments with NLP-analyzed emails revealing override requests. The system uncovered ghost vendors via manipulated PAN records, reducing investigative time from months to days. CS professionals can leverage such insights to drive swift, evidence-based inquiries.

4. Auditing the Intangible – The New Frontier of ESG

Techniques: NLP for disclosure analysis; satellite imagery and IoT for environmental metrics. SEBI's BRSR mandate requires verifiable ESG data. AI tools use NLP to scan supplier disclosures and media for compliance issues, while satellite imagery and IoT sensors validate environmental claims like afforestation or emissions.

Example: Company 'A' employed AI to verify sustainability claims, using NLP to flag supplier child labour risks and satellite data to confirm afforestation. IoT sensors validated emission reductions for BRSR filings, enhancing investor trust. CS professionals can use AI to deliver credible ESG assurance.

5. Sharpening Governance – Secretarial & Compliance Audits

Techniques: AI document analysis, statutory deadline tracking, governance pattern recognition. AI transforms secretarial audits into proactive governance. Tools scan board minutes and resolutions, flagging missed RoC deadlines or governance gaps using NLP.

Example: A listed tech firm's AI assistant analyzed three years of board minutes, identifying inadequate cybersecurity discussions despite industry risks. It also flagged missed filing deadlines, enabling the CS to revamp compliance calendars and strengthen board practices with evidence-ready insights.

6. Specialized Audits – GST, Transfer Pricing & Customs

Techniques: AI tax gap analysis, transfer pricing benchmarking, customs profiling. Specialized audits like transfer pricing (TP) benefit from AI's analytical power. Tools benchmark inter-company transactions against industry data, ensuring arm's length compliance, and verify customs declarations.

Example: A multinational's Indian subsidiary used AI to benchmark TP transactions, flagging inconsistent royalty rates in software licenses. Geo-tagged e-way bill analysis detected GST e-invoice discrepancies, reducing audit disputes. CS professionals can leverage AI to fortify compliance and minimize regulatory risks.

Key Takeaway

These applications show AI turning audits into a continuous, strategic function. For CS professionals, the challenge is to integrate these tools into governance

frameworks, evolving from compliance monitors to architects of data-driven assurance in India's dynamic regulatory landscape.

INDIA-CENTRIC CASE STUDIES – AI IN ACTION

Case 1: AI-Powered GST Reconciliation for a Mid-Sized IT Firm

A mid-sized IT firm in Pune struggled with manual GST reconciliation, risking errors and penalties. Adopting an AI-driven tool, the firm automated matching of GSTR-1, GSTR-3B, and GSTR-2B filings with its ERP data. The system flagged invoice mismatches, invalid GSTINs, and a circular trading pattern among vendors, reducing reconciliation time by 40%. This example demonstrates AI's precision in tackling India-specific regulatory challenges, offering CS professionals a model for enhancing compliance accuracy.

Case 2: SME Compliance Management with AI

To illustrate the democratization of these tools, consider a typical manufacturing SME. Limited by resources, it can subscribe to an AI-powered compliance platform. The tool tracked statutory deadlines, sent reminders, and used natural language processing to analyze board resolutions and suggest filings. This affordable solution ensured enterprise-level compliance without additional staff, reducing the risk of missed deadlines. It underscores how AI democratizes advanced audit tools, empowering smaller businesses and their CS advisors to strengthen governance proactively.

Key Takeaway for CS Professionals

These case studies reveal that AI in auditing is a present-day reality across India's corporate landscape, from PSU giants to SMEs. For Company Secretaries, the practical step forward is clear: begin with pilot projects—whether automating GST reconciliation, compliance tracking, or risk analysis. By integrating AI's analytical power with human expertise, CS professionals can evolve from compliance overseers to strategic assurance leaders, driving organizational value and resilience.

THE AUDITOR'S AI ARSENAL – TOOLS, PLATFORMS, AND STRATEGIC CHOICES



The shift to AI-powered audits is inevitable, and for Company Secretaries (CS), mastering this transition means navigating a dynamic landscape of tools and strategic decisions. From global platforms to Indian innovations, the right choices can revolutionize audit efficiency and governance.

- **The Strategic Crossroads: Build vs. Buy**

This diverse landscape presents a fundamental choice. **Building** a bespoke in-house AI solution offers maximum customization but demands significant investment in talent and infrastructure, a path viable for only the largest corporations. For most, **Buying**—subscribing to a specialized Software-as-a-Service (SaaS) platform—is far more practical, providing access to cutting-edge technology for a predictable fee.

- **Key Insight: Integration is the True Value**

The power of AI lies not in a standalone tool but in its seamless integration into governance frameworks. The CS must ensure that AI outputs—be it risk alerts, compliance flags, or process maps—are not just generated but are fed directly into audit workflows and board-level reporting. The ultimate goal is to turn raw data into strategic decisions, enhancing assurance without overwhelming the function. This arsenal equips the CS to blend global standards with Indian relevance, making smarter governance an achievable reality.

THE HAND THAT GUIDES – GOVERNANCE, ETHICS, AND THE CS's ROLE

The shift to AI-powered auditing is unstoppable, and for CS, mastering this transition demands more than embracing tools—it requires navigating a complex landscape of governance, ethics and strategic leadership. The true power of AI lies not in its algorithms but in the human-led framework that ensures its responsible use. The CS must evolve into an ethical architect, steering organizations toward trusted, impactful assurance.



- **Overcoming the 'Black Box': The Explainability Imperative**

AI's strength in processing vast datasets can become a liability if its outputs are opaque. "Black box" models that obscure their logic undermine audit credibility. The CS must **champion AI**, ensuring tools like risk-scoring or anomaly detection provide transparent rationales. For instance, when AI flags a GST mismatch, the CS should trace its reasoning to specific data points, enabling confident boardroom or regulatory discussions. This transparency is non-negotiable for defensible assurance.

- **Ensuring Data Integrity: The 'Garbage In, Gospel out' Risk**

AI's insights depend on data quality. Flawed inputs such as incomplete ERP records or unverified GST filings can produce misleading outputs, amplifying errors at scale. The CS's expertise in data governance is critical. They must **lead the charge** to implement robust controls over data quality, consistency, and lineage, collaborating with IT teams to create a reliable foundation for AI-driven audits.

- **Establishing Ethical Guardrails: Bias and Privacy**

AI trained on biased historical data risks perpetuating unfair outcomes, such as skewed fraud detection. Additionally, handling sensitive audit data raises privacy concerns under India's **Digital Personal Data Protection (DPDP) Act**, (rules still in draft) requiring anonymization and explicit consent for personal data usage. The CS must **act as an ethical conscience**, enforcing protocols for data anonymization, bias testing, and compliance. This ensures AI's efficiency aligns with legal and reputational integrity.

- **Upholding Legal Admissibility: The Digital Chain of Custody**

AI-generated findings must withstand legal scrutiny. Under the Indian Evidence Act, electronic evidence requires demonstrable authenticity. The CS must **ensure a tamper-proof digital chain of custody**, documenting how AI processes data and produces insights. For example, in forensic audits, AI's detection of collusive patterns must be backed by auditable logs to be admissible in court, reinforcing its role as a trusted tool.

- **Upskilling: The CS as Data-Savvy Strategist**

The greatest barrier to AI's success is not technology but talent. To govern AI effectively, the CS must become a **data-savvy governance strategist**, mastering the basics of data analytics, machine learning, and IT collaboration.

By mastering explainability, data integrity, ethics, legal rigor, and skills, the CS transforms into a strategic navigator, weaving AI into governance frameworks that deliver precise, ethical assurance. For India's CS professionals, the call is clear: hold the hand of technology to architect a new era of trust and excellence.

THE HORIZON – FUTURE TRENDS AND RECOMMENDATIONS

The AI revolution is reshaping auditing, and for Company Secretaries (CS), mastering this shift means navigating a horizon of transformative trends. By leading proactively, CS professionals can architect a future of perpetual, intelligent assurance.

- **Generative AI: Redefining Reporting**

Generative AI tools, like advanced LLMs, are set to streamline audit documentation. Early-stage applications and vendor pilots show Generative AI tools can draft summaries of findings or audit committee reports or summarizing complex risk findings in minutes subject to human review. With human oversight, these tools free CS professionals to focus on strategic interpretation, accelerating reporting while enhancing clarity.

- **Continuous Assurance: The Always-On Audit**

Traditional audits offer point-in-time snapshots, but AI enables **continuous assurance**. Machine learning and rule-based platforms monitor transactions and controls in real-time, flagging anomalies hours—not months—after they occur. This transforms the CS's role from historical reviewer to dynamic risk manager, ensuring live governance.

- **ESG Assurance: The Next Frontier**

SEBI's Business Responsibility and Sustainability Reporting (BRSR) mandates demand verifiable ESG data. AI will analyze satellite imagery to validate afforestation claims, scan global media for supply chain ethics, and verify IoT sensor data for emissions accuracy. CS professionals leveraging these tools will lead in delivering credible, data-driven ESG assurance.

- **Actionable Recommendations**

- **Start Small:** Pilot AI in high-impact areas like GST reconciliation or compliance tracking to prove ROI.
- **Partner with IT:** Forge strategic alliances to align AI tools with governance needs.
- **Upskill Relentlessly:** Pursue certifications in AI, analytics, and cybersecurity to stay ahead.

The future of auditing isn't about replacing CS professionals—it's about empowering them. By embracing these trends, CS leaders will secure their role as indispensable architects of intelligent, trusted assurance in India's evolving governance landscape.

CONCLUSION – FROM GOVERNANCE OFFICER TO ASSURANCE STRATEGIST

The journey from the auditor's magnifying glass to AI's all-seeing satellite eye reveals a seismic shift in assurance. We've navigated the walls of scale, complexity, and deception that limit manual audits and explored AI's transformative applications—from fortifying financial controls and taming GST compliance to unearthing fraud and validating ESG claims. The verdict is clear: AI-powered auditing is not a future promise but a present imperative, redefining governance for India's Company Secretaries (CS).

This transformation elevates the CS's role. Routine tasks—data aggregation, compliance checks are now handled by AI's unmatched speed and accuracy. This liberation empowers the CS to become an **interpreter of complexity**, translating raw data into strategic insights, and a **storyteller of assurance**, connecting AI-driven findings to risk mitigation and governance excellence. No longer are mere record-keepers, CS professionals' strategic navigators, shaping organizations' futures in an age of total data.

The path forward requires no revolutionary leap—just deliberate steps. **Start with pilot projects**, like automating GST reconciliation or compliance tracking, to demonstrate ROI. **Forge alliances with IT teams** to integrate AI into governance frameworks.

CS professionals stand at a pivotal crossroads, entrusted with guiding organizations through this intelligent era. The question looms: *In an age of total data, can we afford partial visibility?* The hand of technology is extended—take it, not as passengers, but as architects of a new assurance paradigm.

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