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Digital Workshop

Artificial Intelligence in Risk Analysis: Balancing Automation and Human Judgement

Group Discussion

Challenges and Lessons Learned for Efficient Deployment of AI Solutions in Risk Analysis

FEEDBACK FROM GROUP 2

Feedback from Group 2

Is AI currently used in your tax administration for risk analysis?

Current use of AI in tax administrations for risk analysis

Advanced AI Practices

The Netherlands uses statistical models and generative AI to support tax risk analysis without replacing human judgment.

Long-standing Machine Learning Use

Sweden employs machine learning for audit selection, though generative AI is not yet central to risk processes.

Holistic Data Integration

Austria and Hungary combine domestic and international data, using expert systems and statistical models for tax planning.

Early-Stage AI Adoption

Portugal and Georgia are experimenting with AI in tax, with limited operational use and ongoing developments.

Feedback from Group 2

What standards should apply to data quality and reliability?

Standards for Data Quality When Using AI

Data Integration Challenges

Combining domestic and international data creates matching and consistency challenges for AI risk analysis.

Tiered Trust Approach

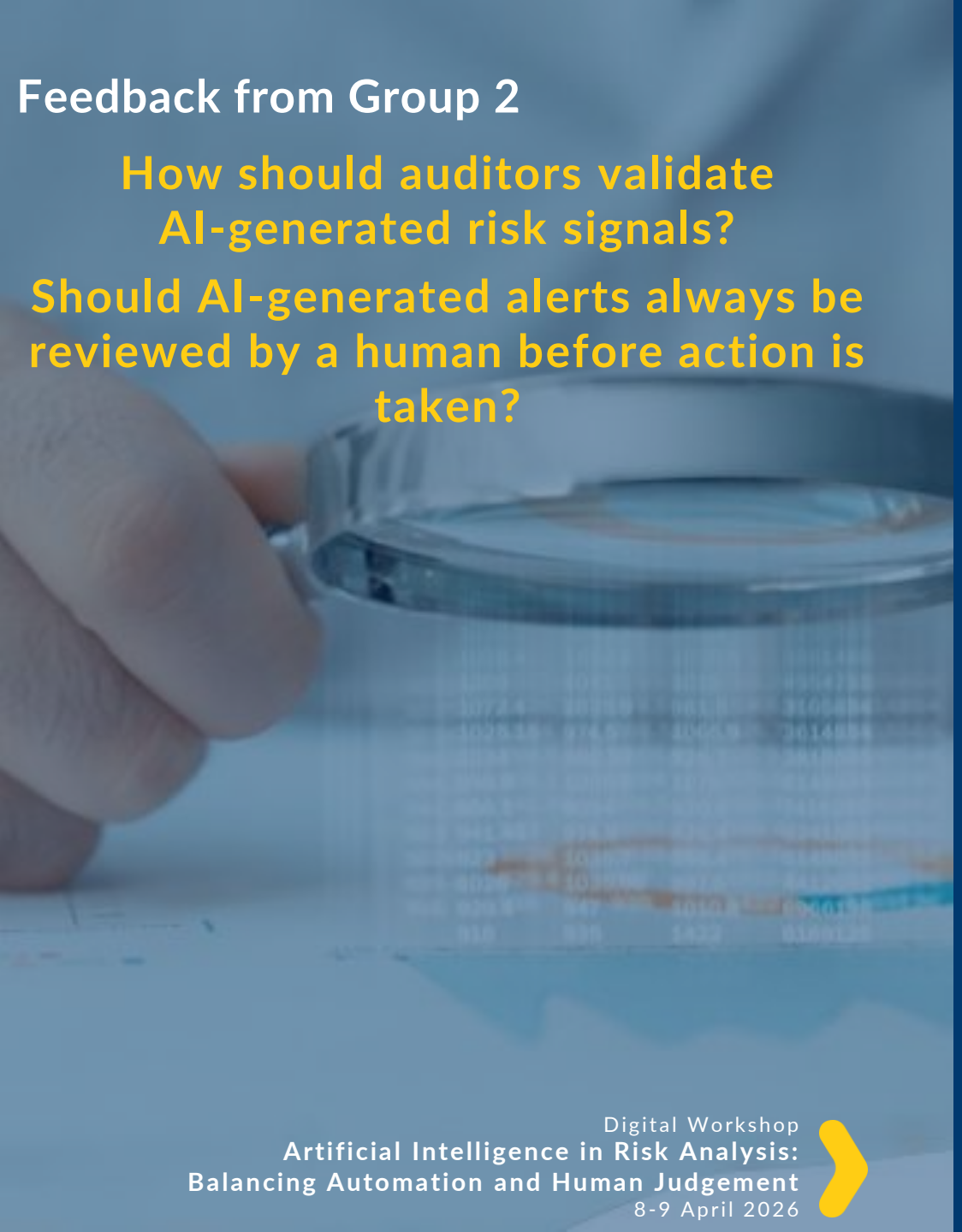
Classifying data sources by reliability guides automation versus manual verification decisions.

Balancing Data Access and Privacy

Access to external data enhances models but must be balanced with privacy and protection obligations.

Documentation and Legal Defensibility

Clear documentation of data provenance and matching logic ensures technical robustness and legal trust.



Feedback from Group 2

How should auditors validate AI-generated risk signals?

Should AI-generated alerts always be reviewed by a human before action is taken?

Validation and Human Oversight

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Integration in Audit Processes

AI-generated risk signals should be embedded within existing audit workflows, not treated as standalone decisions.

Essential Human Judgment

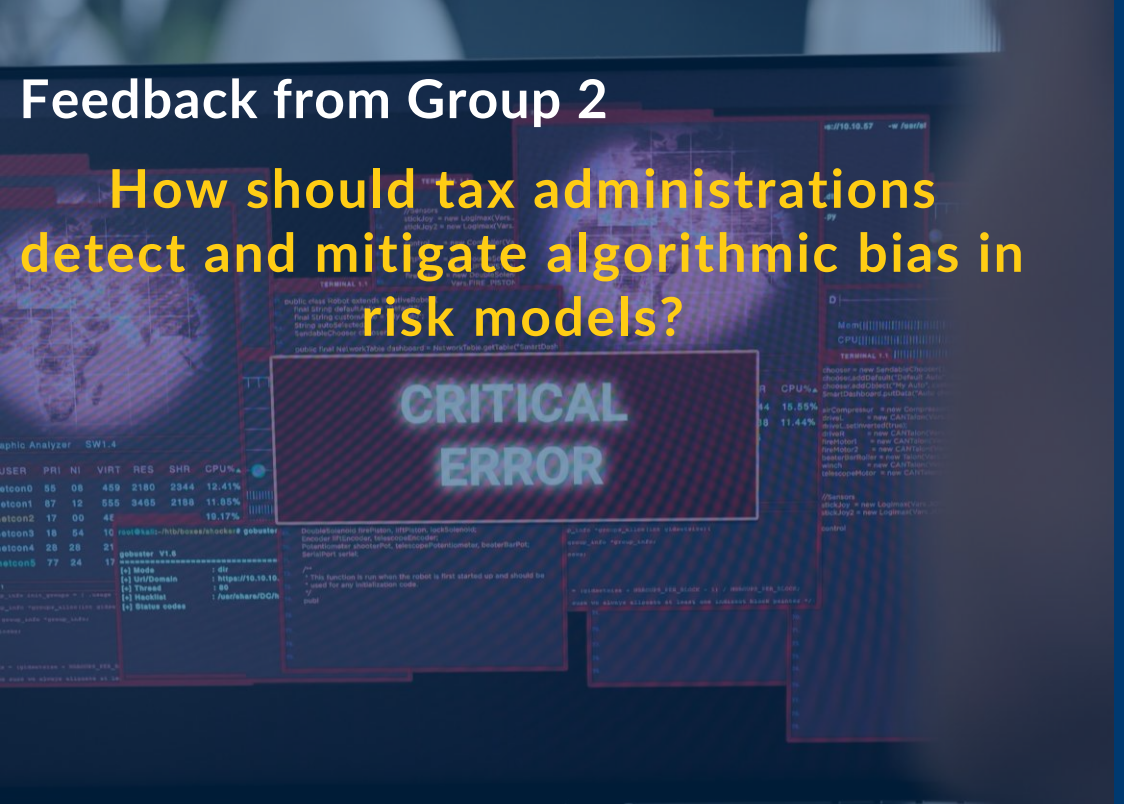
Human review is critical due to data imperfections and legal requirements, ensuring responsible decision-making.

Transparency and Trust

Understanding why AI signals are generated builds trust and guides appropriate auditor follow-up actions.

AI as Decision-Support

AI enhances prioritisation and insight, but ultimate accountability and decisions remain with humans.



Feedback from Group 2

How should tax administrations detect and mitigate algorithmic bias in risk models?

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Detecting and Mitigating Bias in Risk Models

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Two-Step Bias Mitigation

Strictly scrutinise input variables and systematically test outputs to identify unfair bias in risk models.

Feedback Loops for Auditing

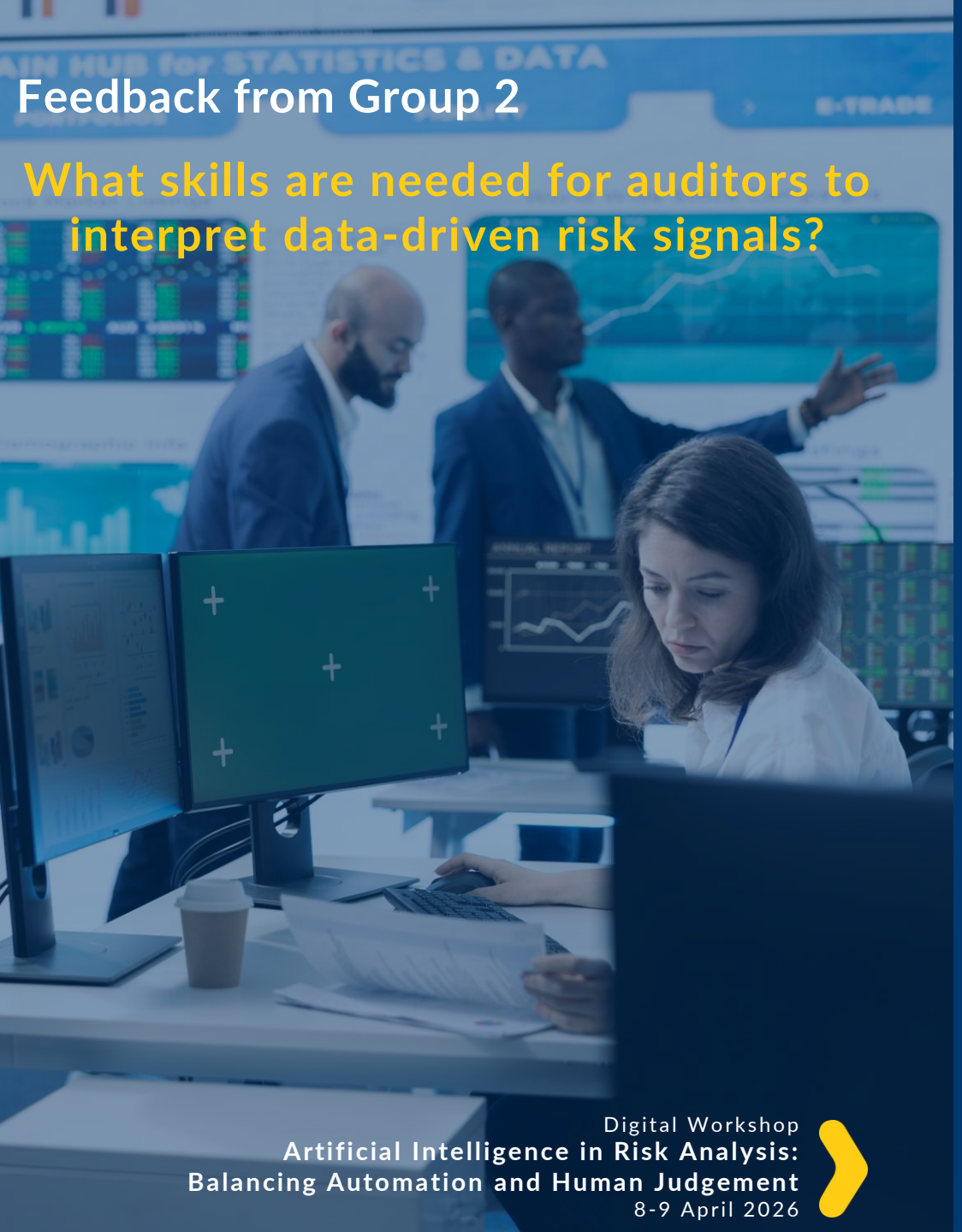
Auditors use feedback loops to report bias patterns, triggering further analysis and remediation.

Ongoing Monitoring Importance

Continuous monitoring is necessary as bias impacts individuals and corporations differently and evolves over time.

Iterative Mitigation Process

Bias mitigation combines technical controls, human judgment, and organisational learning for fairness and accuracy.



Feedback from Group 2

What skills are needed for auditors to interpret data-driven risk signals?

Capabilities Needed to Interpret Data-Driven Signals

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Hybrid Auditor Skill Sets

Auditors need both strong tax-law knowledge and data literacy to effectively interpret AI-generated insights within legal frameworks.

Professional Scepticism

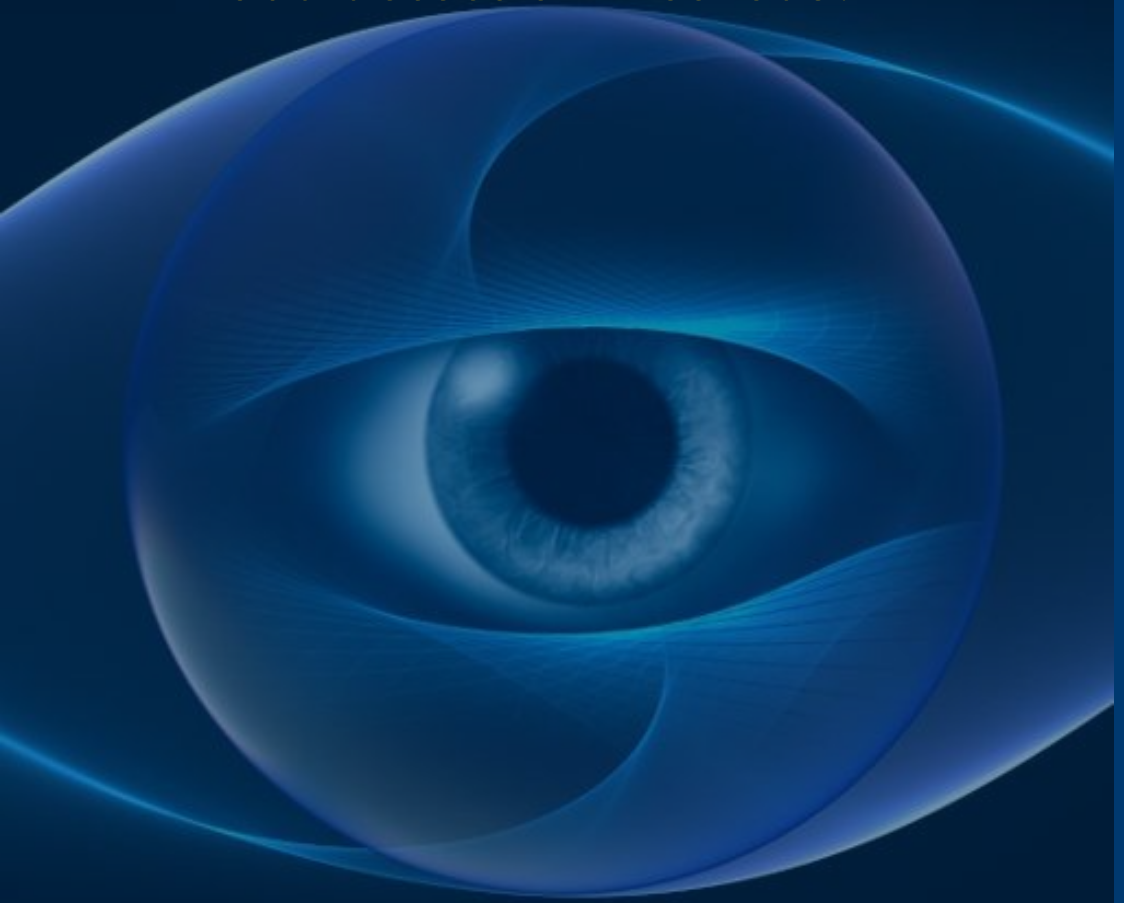
Auditors must critically evaluate AI outputs and not assume accuracy simply because they are machine-generated.

Holistic Taxpayer View

Maintaining a comprehensive understanding of the taxpayer's situation helps integrate AI signals meaningfully into decision-making.

Feedback from Group 2

How much transparency is appropriate without compromising fraud detection methods?



How Transparent Should AI Use Be?

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Transparency and Trust

Informing taxpayers about AI use fosters trust and aligns with data protection principles.

Risks of Over-Disclosure

Excessive transparency may allow taxpayers to game the system and avoid detection.

Algorithmic Risk vs Decision-Making

Transparency is more critical when AI directly affects legal decisions than for risk analysis alone.

Human Review and Challenge Rights

Human review remains essential if taxpayers challenge the outcome.

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What governance structure should exist?

Governance Structures for Responsible AI Use

Internal AI Regulations

Specific internal regulations guiding responsible use of generative AI and protecting sensitive data.

Training and Technical Controls

A governance approach of combining staff training with technical limits on AI tool versions and usage.

Secure Infrastructure

Secure cloud platforms and strong information security frameworks are essential for trustworthy AI adoption.

AI Literacy Importance

AI literacy is vital; staff must understand AI's workings, risks, and limitations for effective governance.

Feedback from Group 2

Key Takeaways and Way Forward

Foundation Preparation
Secure data quality, clarify rules, and increase staff awareness to build strong AI foundations in tax administration.

AI as a Support Tool
Use AI mainly as a signal generator and analytical aid to enhance prioritisation without replacing human judgment.

Human-Centred Accountability
Maintain human accountability with auditors reviewing AI outputs and making final decisions in tax processes.

Governance and Ethics
Evolve governance frameworks to monitor bias, protect privacy, and strengthen trust as AI use scales.