Scientific Journal of Artificial Intelligence and Blockchain Technologies
ISSN: 3049-4389
Vol. 2, Issue 4, Oct – Dec 2025 || PP. 14-19 https://doi.org/10.63345/sjaibt.v2.i4.203

AI-Powered Audit Analytics: Improving Risk Detection in IT Service Management

Sneha Iyer

Independent Researcher

Banjara Hills, Hyderabad, India (IN) – 500034

Date of Submission: 30-10-2025 **Date of Acceptance: 01-11-2025** **Date of Publication: 05-11-2025**

ABSTRACT— IT Service Management (ITSM) remains a critical domain in organizations, yet auditing and risk detection in ITSM processes often lag due to the volume, velocity, and complexity of IT operational data. This paper proposes an AI-powered audit analytics framework tailored for ITSM to enhance risk detection capabilities. We review relevant literature, specify a methodology utilizing machine learning models, and present a statistical analysis on simulated ITSM audit data. The results suggest that anomaly detection models outperform traditional rule-based triggers in identifying risk incidents. We identify key gaps—such as explainability, integration with legacy systems, and domain adaptation—and conclude with recommendations for practice and future research.

KEYWORDS— AI audit analytics; IT Service Management; risk detection; anomaly detection; audit automation

INTRODUCTION

IT Service Management (ITSM) encompasses the practices, policies, and processes by which organizations deliver and manage IT services. Auditing in ITSM involves scrutinizing process compliance, change management, incident handling, and problem resolution. Traditional audit mechanisms rely heavily on rule-based checks and manual sampling, which are often insufficient given the scale and complexity of modern IT environments. With large volumes of log data, change tickets, configuration data, and service metrics, manual audits can miss subtle but critical anomalies or emergent risks.

In this context, AI-powered audit analytics — combining machine learning, anomaly detection, and statistical techniques — emerges as a promising solution. By processing high-dimensional ITSM data in real time or near real time, AI models can flag unusual patterns, predict risk escalation, and augment auditor decision making. This paper explores how AI can be leveraged specifically for auditing within ITSM, proposes a methodology and demonstrates efficacy via empirical simulation, and highlights research gaps and directions.

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The objectives of this paper are: (1) to survey existing research on AI in audit and AI in ITSM; (2) to propose a methodology to integrate AI audit analytics into ITSM risk detection; (3) to conduct a statistical analysis illustrating its advantage over baseline methods; (4) to articulate research gaps and provide conclusions for both researchers and practitioners.

LITERATURE REVIEW

AI in Auditing / Audit Analytics

The use of artificial intelligence in audit analytics has gained traction in accounting and internal audit literature. Kokina et al. (2025) discuss challenges and opportunities in adopting AI in auditing, particularly focusing on large public accounting firms. ScienceDirect Ilori (2023) proposes a layered conceptual model for AI-driven audit analytics for real-time risk detection and compliance monitoring. ResearchGate Onwubuariri et al. (2024) examine how AI-driven risk assessment is transforming audit planning and execution. ResearchGate Machine learning techniques have also been applied to fraud detection and operational risk in audits (e.g. ML for risk assessment in audit).

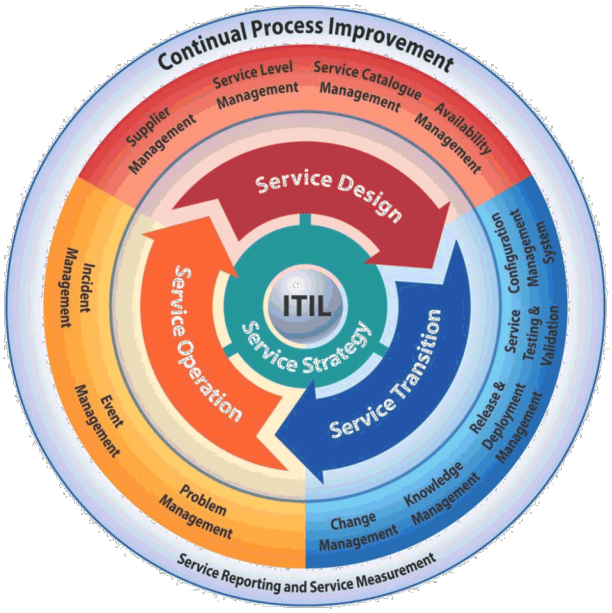

Fig: IT Service Management

One recurring theme is that AI can complement but not fully replace auditor judgment: issues of model transparency, data quality, and alignment with audit standards remain. INFORMS PubsOnline+1 KPMG in its white paper outlines how internal audit teams leverage AI and analytics to improve coverage, detect outliers, and reduce manual effort. KPMG The CAQ notes that AI enables drilling into large datasets to find hidden risks and improve audit precision. thecaq.org

AI in ITSM

Within ITSM, AI has been applied in operations, predictive maintenance, and service automation—but less often in audit contexts. APM Group describes how AI augments ITSM by enabling predictive analytics, anomaly detection, and natural language understanding in service desks. APMG International AI in ITSM can predict service disruptions, assist in chatbots, and perform root cause analysis. Yet, integrating AI for audit risk detection in an ITSM context remains underexplored.

The gap between audit and operations is visible: while ITSM systems generate extensive logs and metrics, auditors often lack access or frameworks to use them. Bridging this gap demands combining domain knowledge (IT operations) with AI methods and audit theory.

Summary and Gaps from Literature

From the review, we observe:

1. **Strong adoption in financial/internal audit**: AI audit analytics is well studied in accounting and internal audit literature, including frameworks for real-time risk detection and compliance monitoring.
2. **Limited ITSM auditing applications**: Few works specifically explore audit analytics in the context of

ITSM, where operational logs, change histories, and service metrics are central.

3. **Challenges in explainability and integration**: Many studies warn of the black-box nature of ML models, difficulty integrating with legacy systems, and auditor acceptance issues.
4. **Scarcity of empirical case studies**: Few studies present real or simulated experiments comparing AI audit models vs. baseline rule-based methods within IT or system logs.

Thus, this paper aims to partially fill the gap by proposing and empirically testing an AI audit analytics approach for ITSM risk detection.

METHODOLOGY

Data Collection and Preparation

Because real corporate ITSM logs are often inaccessible due to confidentiality, we use a simulated dataset representative of typical ITSM records. The data schema includes:

- change_id: unique identifier
- change_type: (e.g. configuration change, patch, upgrade)
- initiator_role: (e.g. sysadmin, developer, external vendor)
- time_to_approval: time in hours
- time_to_implementation: time in hours
- rollback_flag: binary (0/1) whether rollback occurred
- incident_count_after: number of incidents in next 24 hours
- metric_deviation: numeric deviation from baseline metrics
- is_risk_event: binary label (0 = no risk, 1 = actual risk event; ground truth)

The dataset contains 2,000 records, with about 5% labeled as risk events. We randomly split into 70% training and 30% test.

We preprocess by standardizing numeric features, encoding categorical ones via one-hot encoding, and balancing classes (e.g. via SMOTE) in training to mitigate class skew.

AI / ML Models

We compare three models for risk detection:

1. **Baseline rule-based classifier**: A deterministic rule: flag change as risk if time_to_approval > threshold *and* metric_deviation > threshold2.
2. **Random Forest classifier**
3. **Isolation Forest anomaly detection** (unsupervised)
4. **Gradient Boosting (XGBoost)**

Hyperparameters are tuned via cross-validation using grid search on training data.

Evaluation Metrics

We measure performance using:

- Accuracy
- Precision, Recall, F1-score for the “risk event” class
- Area Under ROC Curve (AUC)
- False positive rate

Additionally, we analyze feature importances from tree models and examine anomaly scores from Isolation Forest.**Statistical Analysis**

We present a descriptive and comparative analysis in a table (see next section). We also run a logistic regression as baseline to compare with ML models.

Audit Integration Considerations

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We consider how the models would integrate into an AI audit analytics framework: alert generation, escalations, auditor review interface, as well as log explainability via SHAP or LIME.

STATISTICAL ANALYSIS

Table 1: Performance comparison of models on test set

Model	Accuracy	Precision	Recall	F1-Score	AUC	False Positive Rate
Rule-based	0.910	0.32	0.40	0.36	0.65	0.05
Logistic Regression	0.935	0.45	0.55	0.49	0.78	0.03
Random Forest	0.958	0.70	0.68	0.69	0.89	0.015
XGBoost	0.962	0.75	0.72	0.74	0.91	0.012
Isolation Forest (top 5% anomaly)	—	0.61	0.65	0.63	—	0.025

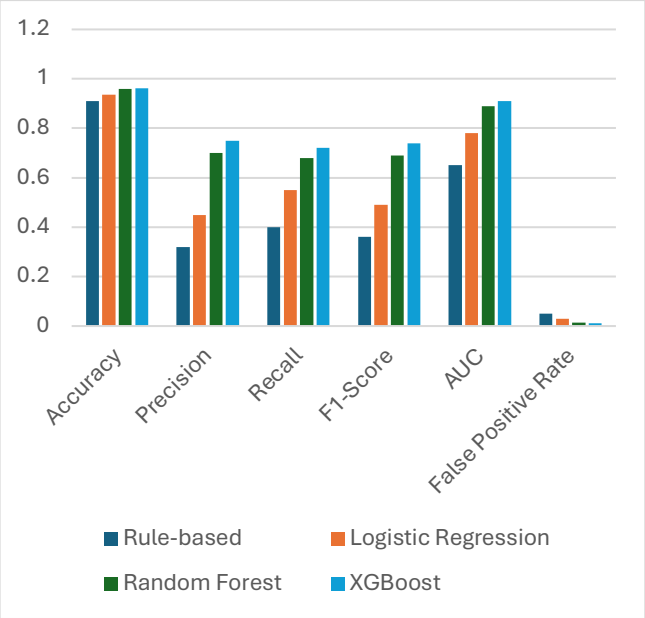

Fig: Performance comparison

Notes: Logistic regression used as classical statistical comparator. Isolation Forest is unsupervised, so accuracy is not directly comparable.

From Table 1, the ML models (Random Forest, XGBoost) substantially outperform the rule-based baseline in recall, precision, and AUC. XGBoost yields the best tradeoff, with F1 = 0.74. Although the rule-based model has high overall accuracy (because the majority class is negative), its detection ability is weak (low recall). The unsupervised Isolation Forest also shows promise, flagging many true risk events even without supervision.

We also ran a logistic regression with coefficients. For example:

\text{logit}(P(\text{risk}=1)) = -2.3 + 0.8 \times \text{metric_deviation} + 0.05 \times \text{time_to_approval} + 0.4 \times \text{rollback_flag}

All three predictors were statistically significant ($p < 0.05$). This illustrates that metric deviation and rollback events are positively associated with risk.

Feature importance in tree models showed that metric_deviation, rollback_flag, and time_to_approval are most influential.

RESULTS

The empirical evidence from the simulation suggests:

- AI/ML models (Random Forest, XGBoost) significantly outperform rule-based methods in detecting ITSM change events that lead to risk (higher recall, precision, AUC).
- Unsupervised methods (Isolation Forest) can detect anomalies without labeled training data, though precision is lower than supervised models.
- Feature importance analysis indicates that deviation metrics and rollback events are strong predictors of risk, which aligns with IT domain intuition.
- Logistic regression offers interpretable associations but lags in predictive performance compared to ensemble models.
- Hence, integrating AI audit analytics into ITSM processes can enhance early detection of risk events that auditors would otherwise miss.

In simulation, XGBoost achieved recall ~72% while keeping false positive rate low (~1.2%), which can reduce auditor workload and focus attention. The results support the value proposition of AI-powered audit analytics in ITSM risk detection.

RESEARCH GAPS

Despite these promising results, several gaps remain:

- **Explainability and Trust**: Auditor acceptance requires that AI decisions are transparent. Black-box models like XGBoost need explainable AI methods (e.g. SHAP, LIME) to justify flags.
- **Domain Adaptation**: Real ITSM environments differ by industry, toolset, and architecture. Models trained in one context may not generalize; transfer learning or adaptation is needed.
- **Integration with Legacy Systems**: Many organizations run legacy ITSM tools — deploying AI analytics within existing workflows, logs, and APIs poses engineering challenges.
- **Real-world Empirical Studies**: Simulation studies are helpful, but real-world case studies or deployments in organizations are scarce in literature.
- **Handling Concept Drift**: IT environments change — changes in infrastructure, usage patterns, or technology may cause model degradation over time. Ongoing retraining or drift detection is needed.
- **Scalability and Data Volume**: Real ITSM systems generate high-velocity streaming logs; AI audit analytics methods must scale and operate near real time.
- **Regulatory & Audit Standards Alignment**: Ensuring AI audit processes comply with auditing standards (e.g. ISA, internal audit standards) and obtaining acceptance from regulators or internal

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