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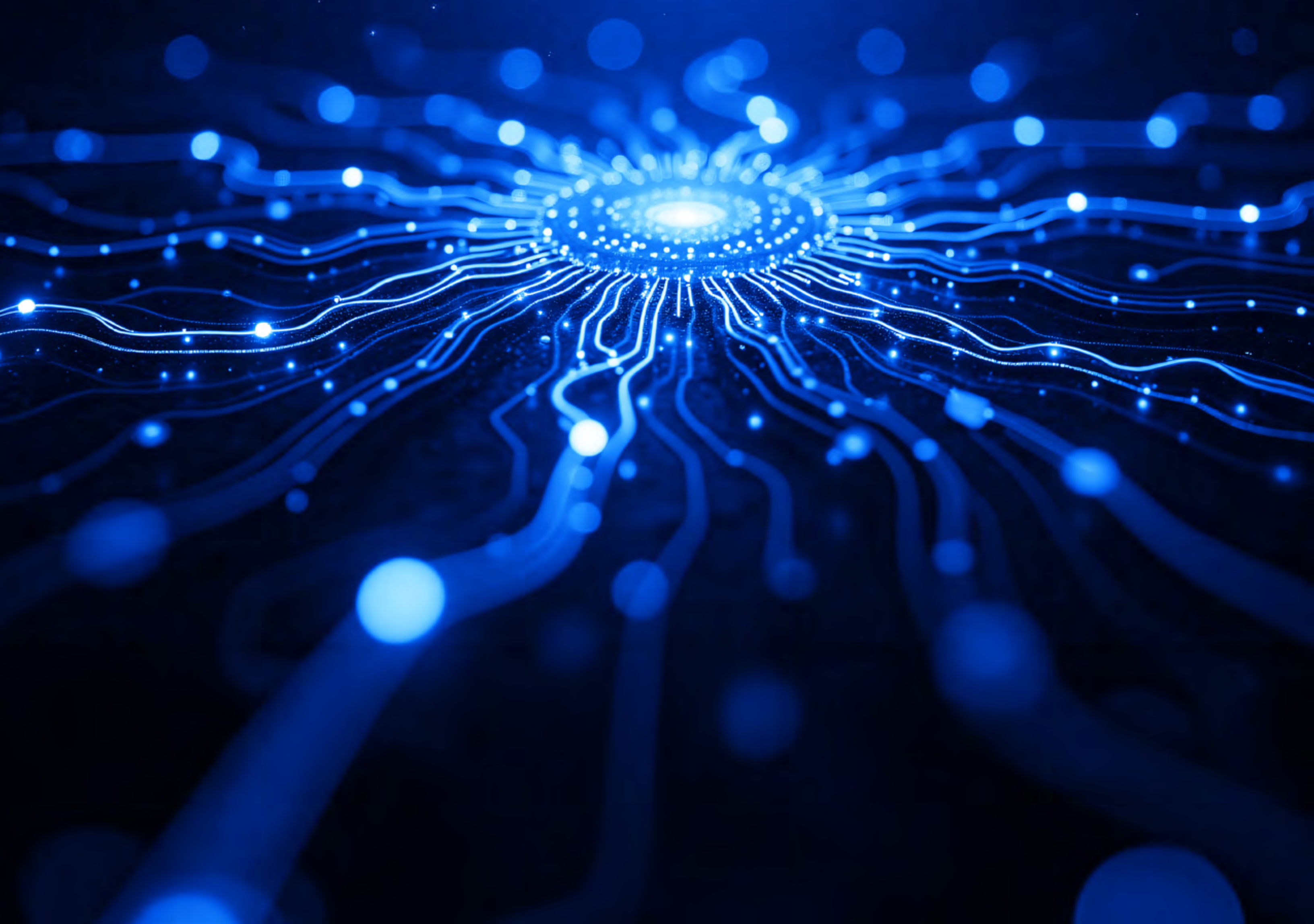
Corporate Controller & CAO Hot Topics

AI Assurance, Risk, and Governance



Chief Accounting Officers are navigating a defining moment in the governance of artificial intelligence. There is an urgent need to build oversight structures capable of managing AI at the pace of deployment; to establish frameworks that demonstrate the trustworthiness and auditability of AI-enabled controls; to close the visibility gap created by AI spreading faster than oversight can follow.

Given how closely KPMG works with many of the world's leading organizations, we have unique insights into how finance leaders are approaching these topics. Below are several top-of-mind themes that Corporate Controllers and CAOs are addressing as they manage AI governance across their organizations.

Governance must lead AI adoption

As AI deployment accelerates across finance functions, Controllers and CAOs are building governance structures ahead of risk accumulation, sometimes outpacing the establishment of oversight frameworks for the broader organizations.

- Many finance organizations are establishing their own oversight committees to evaluate and approve AI applications before they reach financial reporting processes, often acting ahead of enterprise-wide oversight programs that have not kept pace with the speed of deployment.
- Risk-tiered AI governance models are emerging, which apply different approval and validation requirements based on the risk of the use case. This risk-tiering approach has become the organizing principle for most CAOs, who direct more rigorous controls toward high-stakes applications—such as those involved in financial recording—and lighter oversight toward lower-risk productivity tools.
- Many organizations are seeking to leverage AI capabilities embedded within ERP and existing enterprise platforms rather than invest heavily in standalone tools that may later become superseded by key IT vendors.
- Controlling rising AI costs requires strong governance, as usage-based pricing models make spending difficult to manage—especially amid executive pressure for broad adoption. Consequently, finance leaders are now scrutinizing the productivity gains from individual use cases to justify further investment and wider deployment.
- Finance leaders are actively debating whether emerging AI capabilities will supplement or eventually replace traditional robotic process automation (RPA). While some view advanced, code-generating AI as a natural successor to RPA for its ability to handle more complex tasks, others maintain that RPA remains more cost-effective, predictable, and better suited for many highly structured, repetitive processes.
- The rapid advancement of AI is prompting a re-evaluation of offshore and shared service center strategies. Organizations are highlighting a significant overlap between AI-driven efficiencies and tasks currently handled by these centers. This raises concerns about double-counting anticipated savings from both AI initiatives and existing outsourcing arrangements, requiring a more integrated approach to future operating models.
- The automation of routine tasks creates a strategic opportunity to elevate the role of junior finance talent. In response, leadership is proactively redesigning career development pathways to emphasize advanced analytics, strategic thinking, and other high-value skills, ensuring the next generation of finance professionals is equipped for a more dynamic and impactful career.

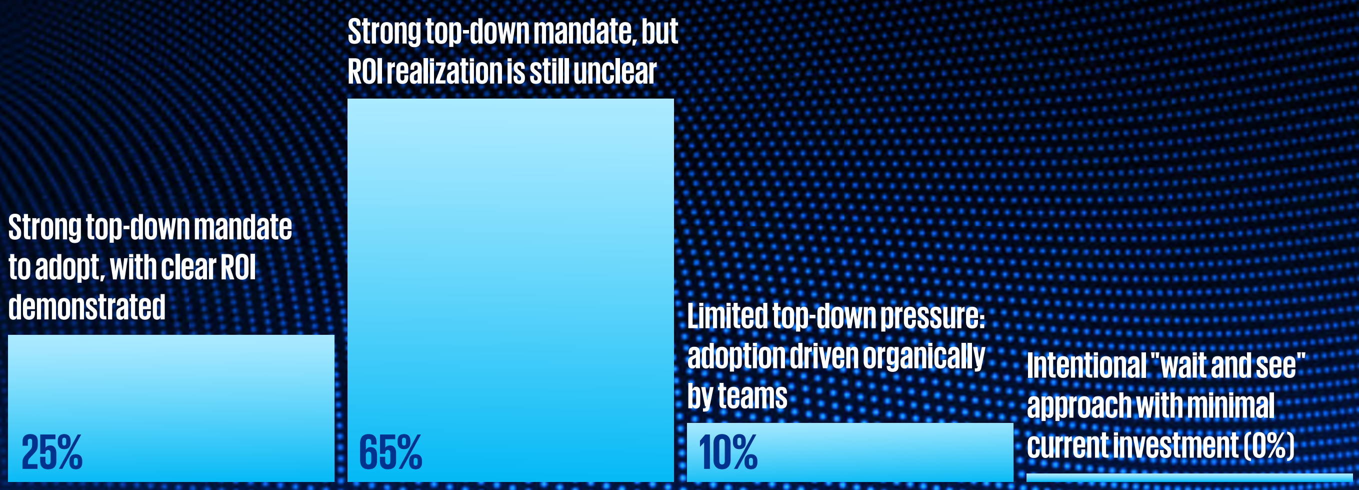
Establishing trust and auditability over AI-enabled controls

Finance leaders are struggling to prove the reliability of AI-assisted controls. This is because auditors and boards are asking new questions about audit evidence that existing frameworks were not designed to answer.

- Finance executives are facing increased challenges in certifying that AI is not materially embedded in financial reporting processes, particularly when visibility into AI usage across the organization remains incomplete.
- AI remains largely restricted from core financial statement preparation, journal entry processing, and reporting activities due to governance and auditability concerns.

- Most finance leaders draw a clear line in AI governance: they see AI that supports human decision-making as manageable, but view AI that independently executes controls as a challenge for today's audit frameworks. Because of this, there is a strong emphasis on implementing 'human-in-the-loop' controls for almost all AI use cases.
- Generative AI introduces an auditability challenge that traditional tools do not, as its outputs are inherently probabilistic and non-repeatable; designing financial controls that depend on consistent output—and demonstrating those controls to external reviewers—is genuinely difficult.
- Early adopters are turning to code-generating AI tools as a path toward greater auditability, as these tools produce deterministic, repeatable outputs that can be verified and audited, offering a resolution to the evidence challenges that currently constrain broader AI adoption in financial controls.
- Finance leaders are now encountering auditors' own AI use in engagement letters and are negotiating terms requiring that auditor AI be subject to appropriate controls and that company data not be used for model training—a new dimension of the client-auditor relationship most organizations are navigating for the first time.

How would you characterize your organization's current approach to AI adoption?



Managing unauthorized AI use and the completeness gap

The spread of AI tools outside approved channels has become a near-universal concern among CAOs. Finance employees are adopting AI independently in pursuit of efficiency, creating a population of AI use that is largely invisible to those responsible for financial oversight.

- CAOs broadly view unauthorized AI adoption as efficiency-seeking rather than misconduct, a distinction that has redirected the governance response from restricting access toward building systems that make approved tools the more accessible and appealing option.

- Finance leaders are navigating significant pressure from boards and executive leadership to accelerate AI adoption, yet this mandate often creates tension with the need for careful governance. There is a considerable risk that the push for rapid transformation outpaces the validation of ROI, the evaluation of risks, and the establishment of controls to prevent duplicated or unmanaged "citizen development" efforts across the organization.
- Knowing what AI tools are in use is as important as governing them; most finance organizations can manage the AI they know about but lack a reliable mechanism to account for everything in active use, including automated workflows employees are building independently with minimal technical effort.
- Decentralized organizations face challenges in maintaining catalogs of their AI agents and use cases. While some finance leaders are creating centralized catalogs to gain visibility, they often find that building the catalog is easier than staffing the team needed to review it.
- External auditors are now directly asking whether AI is involved in financial reporting processes, in some cases incorporating the question into quarterly attestation requirements, accelerating the urgency among finance leaders to document AI usage more systematically.
- Finance leaders recognize a competitive tension in restricting AI access, as locking down tools too aggressively risks driving high-performing talent toward organizations with fewer limitations — a tradeoff most are navigating in favor of governance-building over blanket restriction.

Conclusion

Ultimately, CAOs are navigating a delicate balancing act: fostering technological innovation while maintaining uncompromising control over financial integrity and reporting processes. By implementing robust risk-tiered governance frameworks and human-in-the-loop oversight, finance leaders can confidently manage decentralized AI adoption and shifting regulatory reporting cadences. This proactive approach ensures the organization captures the efficiency benefits of emerging technologies while remaining strictly audit-compliant and resilient in a changing market.

Resources

[KPMG Global AI in Finance 2026]
[Board Oversight of Agentic AI]
[KPMG Agentic AI Advantage]
[Auditing Artificial Intelligence]
[You can with AI. Podcasts]

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