



AI in financial reporting and audit: Navigating the new era

US Survey Results: Healthcare and Life Sciences

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Introduction

In the US, as in other countries, artificial intelligence (AI) is transforming all areas of business, including financial reporting and auditing. Instead of relying on time-consuming manual processes and statistical sampling, companies are able to automate data gathering and entry from a huge variety of sources, magnifying their ability to identify anomalies, manage risks, and derive predictive insights. Hand in hand, AI is also bringing new capabilities to their auditors—which will help US and multi-national companies not only take their financial reporting to the next level, but also derive greater value from their auditing programs.

KPMG surveyed 1,800 financial reporting leaders across industries and around the world—including 300 in the US—and found that we are on the cusp of an AI-driven financial reporting and auditing revolution. While there are hurdles to overcome to ensure the responsible use of AI, the benefits are enormous. Wholesale improvements in insight generation, anomaly detection, risk control, and data-enabled decision-making will make financial reporting smarter, faster, and more efficient than ever before. At the same time, audits will become of higher quality and more dynamic, with real-time insights into trends and risks.

Welcome, not to the distant future, but to what's only just around the corner.



Note: This report includes data specific to the Healthcare and Life Sciences industries. For the full report, please [click here](#).



Drew Corrigan
Partner, Audit Sector Leader
- Healthcare, KPMG US

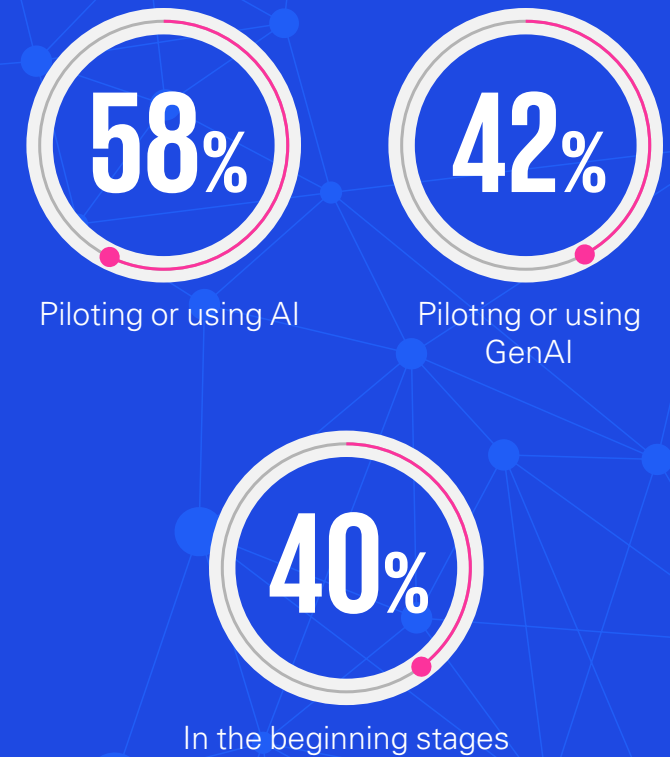


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Progress by industry: Healthcare and life sciences

Not all industries in the US are adopting AI in financial reporting at the same speed. Technology, media, and telecoms companies—generally early adopters of advanced technologies—are the most mature, followed by financial services providers and companies in the energy industry. Manufacturing, consumer/retail, and healthcare/life sciences are further behind. Following is an overview of the progress made by companies in the healthcare and life sciences industry.

Healthcare and life sciences companies are likely to be using AI initially in other areas critical to their business, such as medical imaging analysis and drug research and development but are less mature in using AI in financial reporting.





Healthcare and life sciences

Healthcare and life sciences companies are pressing ahead in best practice areas and establishing mechanisms to monitor and measure AI impacts.

Healthcare and life science board actions related to AI:

Developing a vision and strategy for AI adoption
73%

Setting up policies and governance aligned with ESG goals
73%

Ahead in preparing for AI in reporting:

- 89% migrating to the cloud
- 82% beefing up cybersecurity
- 78% discontinuing legacy systems
- 78% shifting to paperless bookkeeping

Healthcare and life sciences companies spend 10% of their IT budgets on AI overall, in the middle of the range among industries. To catch up, they will boost their spending by 32% over the next three years—much more than others. They will also prioritize use of AI (56%) and GenAI (62%) more than most industries over the next three years.

Healthcare and life sciences companies, which must meet strict HIPAA data privacy regulations, understandably see concerns around data security and privacy as the chief barrier (53%) to AI adoption in financial reporting, and one of their top concerns around use of GenAI (76%). Indeed, the industry is ahead of all others in putting in place what they consider the most effective practices to minimize GenAI's ethical risks. All healthcare and life sciences companies say that ethical frameworks and regular audits and monitoring are effective, and 98% cite education, human oversight, and third-party review.



Healthcare and life sciences: Data at a glance

Maturity score

61 out of 100

(20% are leaders)

AI spending change next year

16%

Piloting/using AI

58%

Average annual AI spending
change in 3 years

32%

Piloting/using GenAI

42%

Number of board actions,
relative to other industries

Medium

AI with highest value

**Robotic process
automation
(89%)**

Preparation for AI,
relative to other industries

High

AI % of tech budget

10%



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Survey excerpt: AI in financial reporting and audit

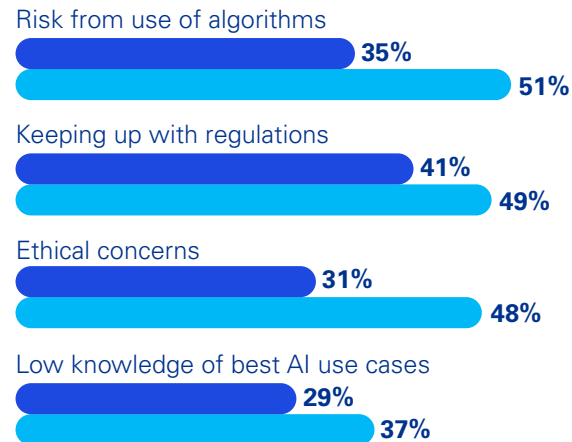
Learning from the leaders

Overcoming barriers to AI adoption

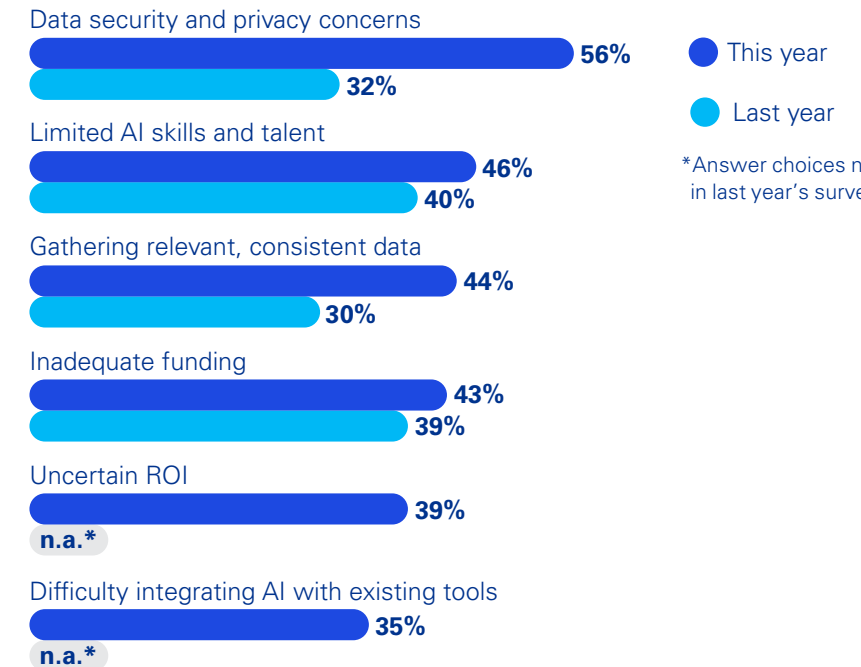
Since last year, some of the barriers to AI adoption have eased thanks to steps companies have taken to improve AI governance and practices. For example, ethical concerns around bias or misinformation have eased from 48% of respondents last year to 31% today, and keeping up with regulatory changes has slipped from 49% to 41%. This attests to the growing experience companies are having with using AI.

At the same time, other barriers have become more prominent. As companies implement more robust AI-enabled financial reporting, difficulty gathering relevant and consistent data has become a more common pain point (see chart). Likewise, finding the funding and investment for the next level of AI investment has become a greater hurdle. This year, financial reporting leaders report other major barriers when it comes to adoption of AI, including data security and privacy concerns, limited AI skills, uncertain ROI, and difficulty integrating AI with existing tools.

Barriers to adoption companies are overcoming



Barriers that are increasing



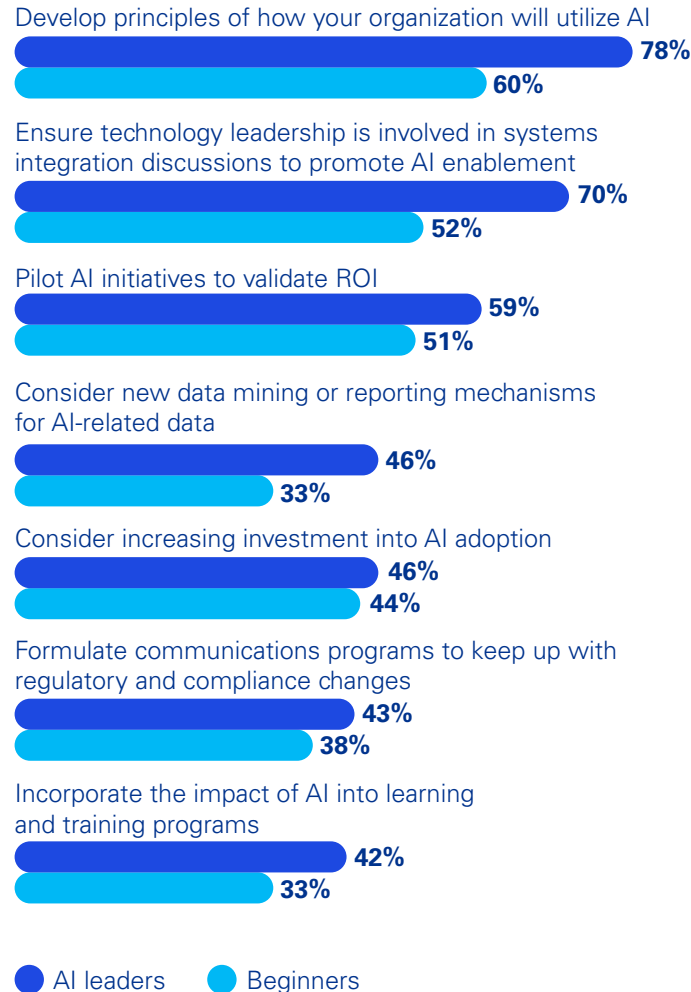
As companies advance in AI-enabled financial reporting, they often face different challenges. For example, concerns around data security and privacy, insufficient organizational knowledge of AI, and lack of understanding of AI use cases loom larger for companies first starting to use AI in reporting. On the other hand, inadequate investment and uncertain ROI become wider roadblocks for AI leaders. Yet, because they are more advanced in the use of AI in reporting, US companies tend to experience fewer impediments than companies in other countries.

Having jumped ahead of others in the use of AI, US AI leaders are best equipped to show how to overcome barriers to adoption. The top steps that AI leaders take are to:

- 1. Develop principles for utilizing AI** (78% vs. 60% of beginners)
- 2. Ensure tech leadership is involved in systems integration discussions** (70% vs. 52%)
- 3. Pilot AI initiatives to validate ROI** (59% vs. 51%)
- 4. Consider new data mining or reporting mechanisms for AI-related data** (46% vs. 33%)

Leaders also do more to formulate programs to keep up with regulatory changes and incorporate AI into learning programs.

How companies are overcoming barriers



AI in financial reporting is a game changer. If anything, its potential has been underhyped. Looking forward, one of the key benefits it could drive for businesses is the ability to increase their speed to insight. Harnessing the capabilities of AI and GenAI, Leaders will be able to create a competitive advantage by providing more frequent updates to the market based on rich, real-time data. Those that can do this may have the potential to attract more capital than those that lag behind.”

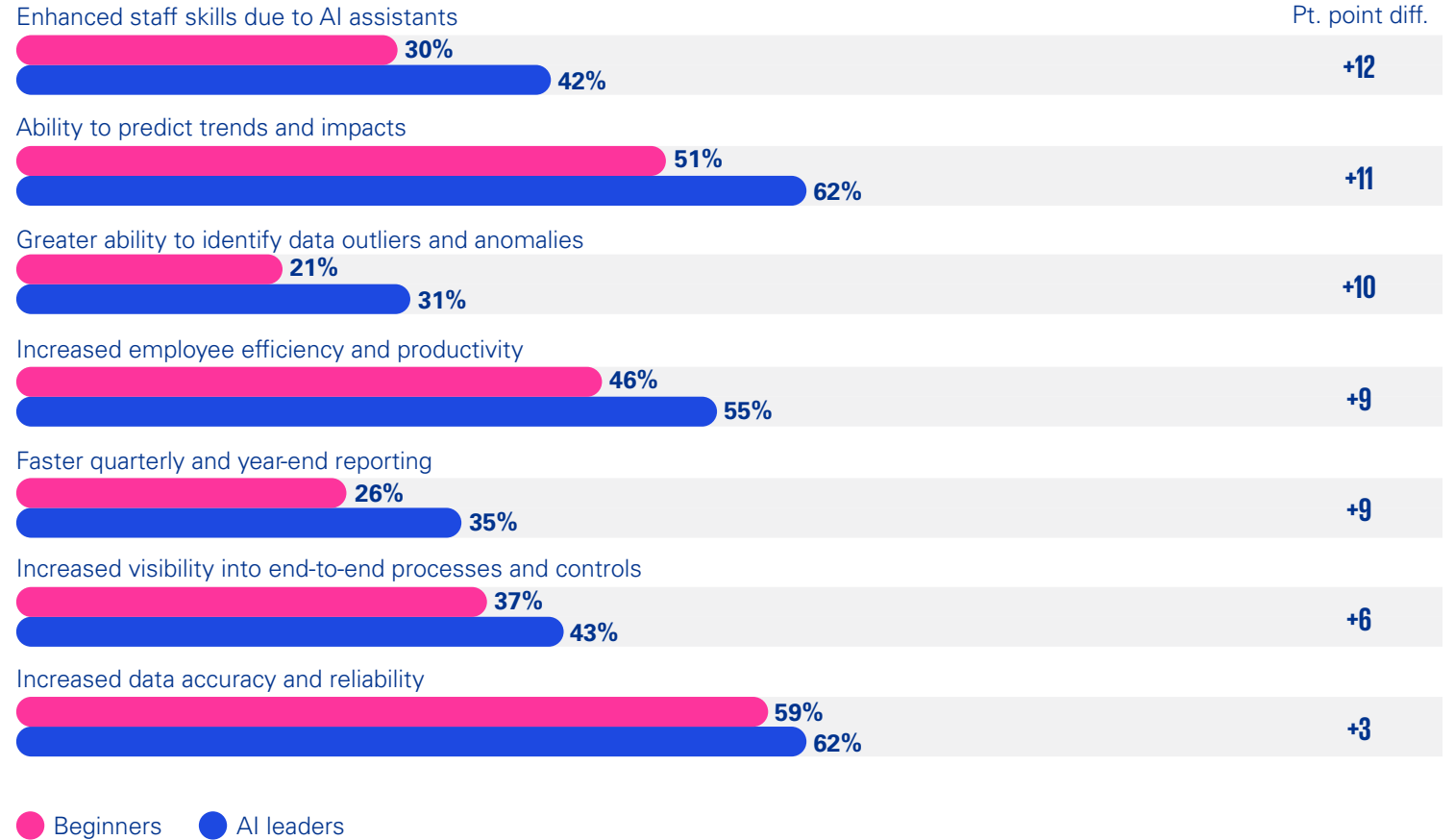
Ed Moran
 Managing Director
 Audit Technology & Innovation
 KPMG in the US

Benefits from AI-enabled reporting

Companies report myriad benefits from AI-enabled reporting. The top five for all enterprises surveyed are real-time insights into risks, fraud, and control weaknesses (70%), lower costs (58%), ability to predict trends and impacts (57%), increased data accuracy and reliability (57%), and better data-enabled decisions (53%).

As companies mature in the use of AI-enabled reporting, they are more apt to achieve these benefits, particularly enhanced staff skills, ability to predict trends and identify data outliers, and increased staff productivity and efficiency.

Benefits that grow as companies mature in AI-enabled reporting





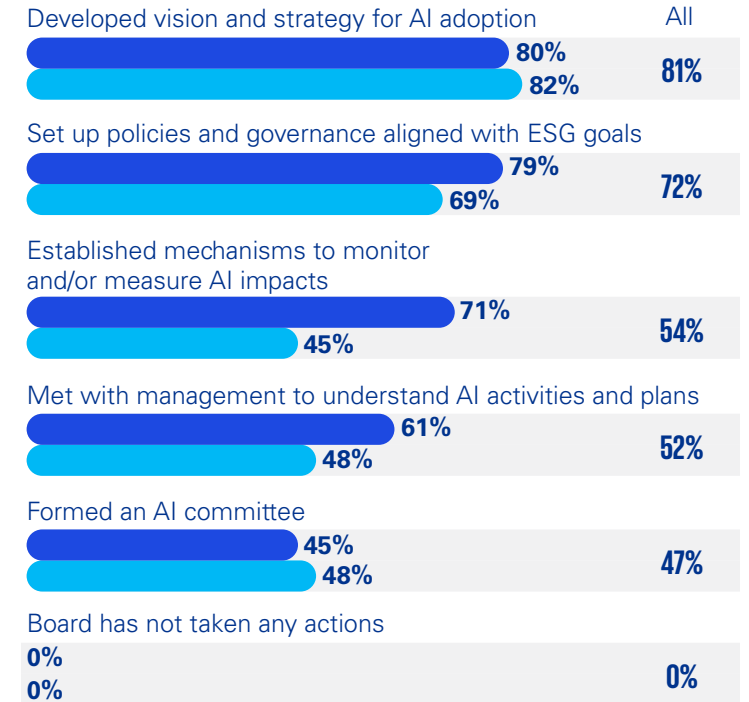
AI and the Board



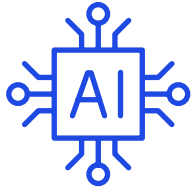
The Board of Directors is becoming increasingly involved in decisions on how AI is used and governed in their companies. According to survey respondents, all companies report that their boards have acted in some way to oversee AI, including developing a company vision and strategy for AI adoptions (81%, up from 44% last year) and setting up policies and governance aligned with ESG goals (72%). However, board engagement varies, with just over 50% reporting they've established oversight mechanisms such as charging one or more board member to monitor and measure AI impacts, and just under 50% have established a formal AI committee.

There are significant differences between AI leaders and others with regard to board involvement. Most notably, 71% of AI leaders' boards have set up mechanisms to monitor AI impacts vs. 45% of others, and 61% have met with management to understand AI activities vs. 48% of others.

AI-related actions taken by the Board



● AI leaders ● Others



AI in the audit: Our vision

Artificial intelligence

At KPMG, we believe intelligent automation will enable a faster, more efficient audit, increasing quality while reshaping the nature of auditing itself. AI helps us focus on where risk truly lies, delivering a better audit across the board.

KPMG works with the world's leading technology companies to develop unique-to-KPMG, AI-based audit tools.

This approach ensures we are on the cutting-edge of what's now—and what's next.

We have a concerted and accelerated effort underway to test new AI use cases, including the security and legal risks associated with these tools.

Benefits

- Increased quality.
- Heightened efficiency.
- Less disruption.
- Deeper insights.
- A better audit experience.
- Our vision is to embed AI into every aspect of the audit as we develop the next generation of KPMG Clara.



Contact us



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