



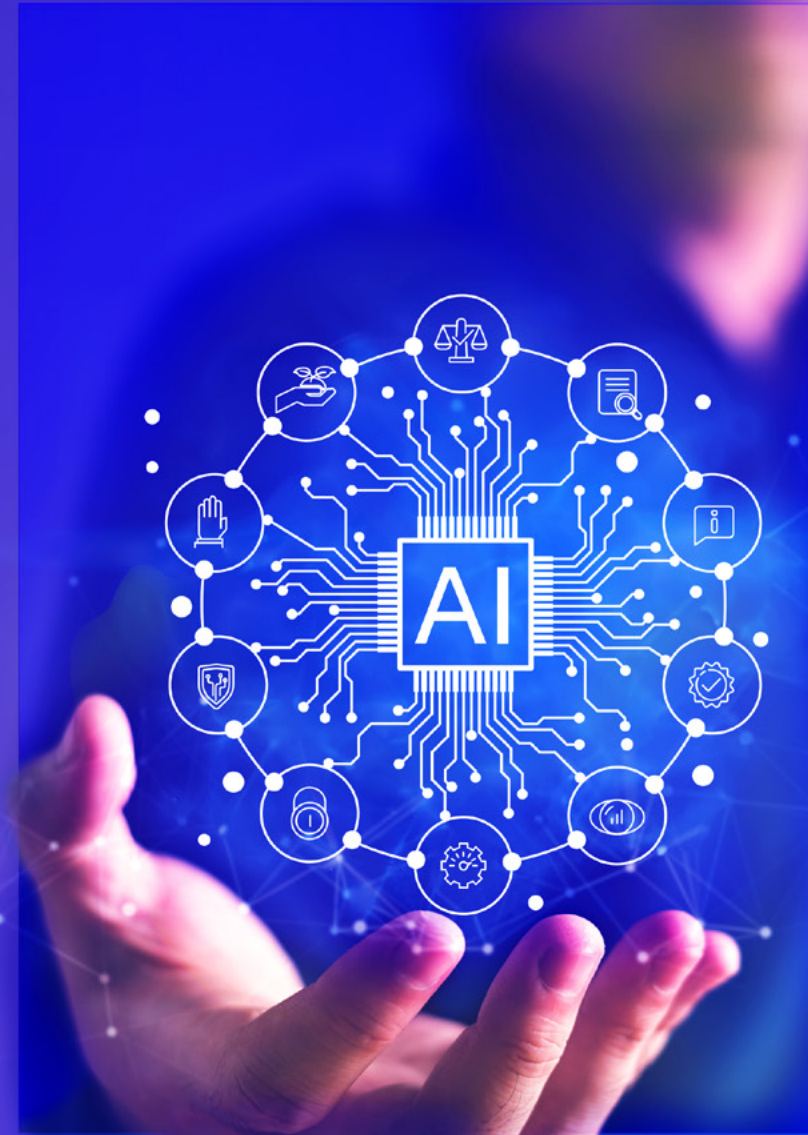
# AI in financial reporting and audit: Navigating the new era

## US Survey Results

Financial reporting leaders' AI expectations for their companies and external auditors

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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.



[Link to full global report](#)



**Scott Flynn**  
Vice Chair  
Audit, KPMG US



**Thomas Mackenzie**  
Global Audit Chief Technology Officer  
KPMG International



**Ed Moran**  
Managing Director  
Audit Technology & Innovation, KPMG US

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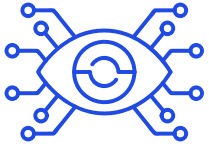
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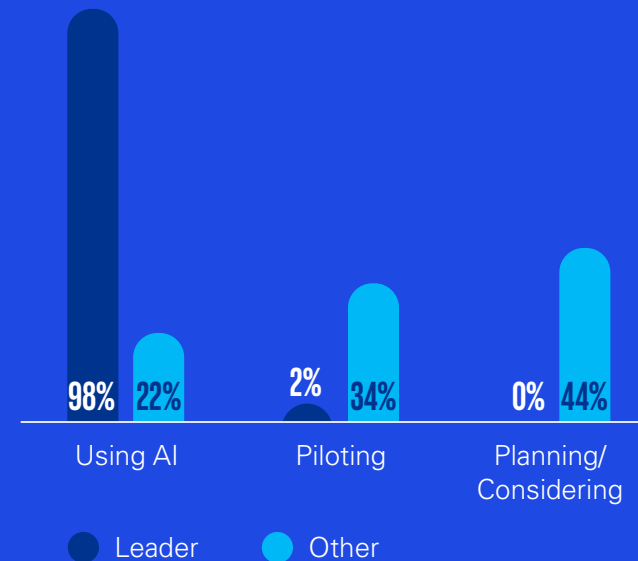
**Research background: sample breakdown**



# AI in financial reporting is nearing full adoption



Progress in the use of AI in reporting by maturity



## Growing use of AI

Since we launched our inaugural AI and Financial Reporting survey conducted in 2023, US companies have crystallized their thinking and plans around the use of AI in financial reporting. Like last year, more than seven out of 10 companies are actively using or piloting AI in reporting today. But while last year 18% had no plans to use AI in reporting, this year, all respondents not currently using AI for financial reporting do have plans to make it happen.

Progress on GenAI has been slower than expected due to nagging concerns around transparency, privacy, accuracy, cybersecurity, and lack of regulatory clarity. Around the same percentage of companies are now using or piloting GenAI (46% now vs. 48% last year).

But companies plan to pick up the pace on implementation: 97% intend to use or pilot GenAI over the next three years, and 62% will be selectively or widely using this technology to generate analysis from huge sets of data.

The US has far more **AI leaders**—defined as those most advanced in using AI for reporting and in putting in place the needed governance—than any other country: 33% vs. 24% on average for the 10 countries surveyed. US AI leaders are substantially ahead of other companies in the US in adopting AI: 98% selectively or widely use AI in reporting vs. 22% of others.

# AI in reporting maturity methodology

To assess how AI adoption is progressing in financial reporting, we created a maturity framework based on two survey questions:

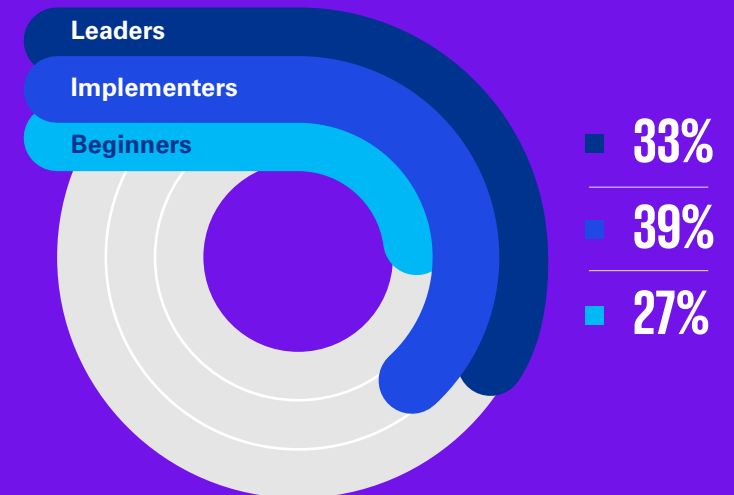
## How much progress has your company made in the use of AI for financial reporting?

- a) **No plans:** Do not have plans to use AI for financial reporting
- b) **Planning:** Considering how to use AI for financial reporting
- c) **Piloting:** Conducting AI pilots for financial reporting and evaluating results
- d) **Selective adoption:** Using AI across one of two areas of financial reporting
- e) **Wide adoption:** Using AI for a variety of areas of financial reporting

## Which of the following actions around AI has your company already taken?

- a) Adopt and/or publish an AI framework to guide implementation and usage
- b) Include some form of AI controls assurance in the scope for reports for vendors or third-party processors
- c) Include the AI risks and associated controls within the scope of our financial reporting processes
- d) Request or consider requesting certification or attestation reports that include AI processes and control objectives
- e) Procure third-party controls assurance over our AI processes and controls

## Maturity breakdown



Based on their responses to these questions, we calculated a score that we used to categorize respondents into three groups: **leaders, implementers, and beginners**. Among the 300 US companies in the sample, 27% were classified as beginners, 39% as implementers, and 33% as leaders. Leaders are those that have made the most progress in using AI for reporting and in adopting the governance practices that will make AI usage effective and responsible.

## Resetting priorities

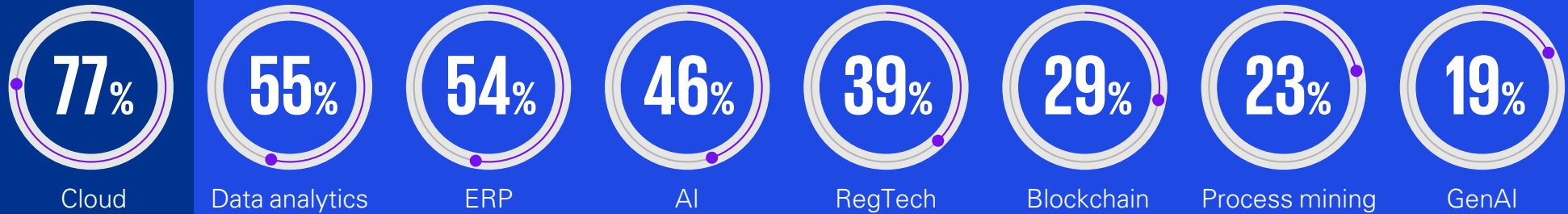
Although GenAI, which helps generate analysis from huge sets of data, was a priority for 40% of US respondents last year, it is taking time for companies to implement this more sophisticated form of AI. Only 19% use GenAI in financial reporting now, but 58% have set it as a priority for next year—the highest percentage of the 13 technologies examined in the survey. Companies have naturally made more progress in the

use of traditional AI than GenAI. Slightly under half are using traditional AI now, and 36% are prioritizing it over the next year.

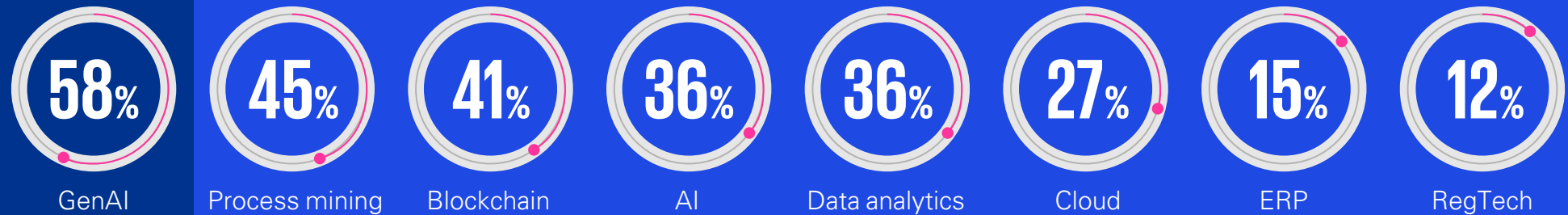
Companies have gone further than expected in enabling reporting through blockchain, which works synergistically with AI to gather and secure data. Last year, 19% set blockchain as a priority, and 29% now use it in reporting. About four out of 10 companies are prioritizing blockchain in reporting for next year.

Similarly, around one-quarter of companies now employ process mining technology, which supports AI initiatives by providing deeper insights into processes and data. Last year it was set as a priority by 27% of organizations. Next year, the percentage will rise to 45%.

### Top technologies currently used by Leaders to enhance financial reporting



### Top technologies prioritized by Leaders over the next year



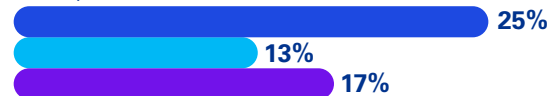
## AI budgets are growing

US companies spend slightly more on AI-related activities than the average for all companies in the survey—10.1% of their IT budgets, compared with 9.9% across the 10 countries studied. They intend to boost their overall AI budgets by nearly a quarter over the next three years. But some US companies are moving faster: one-third plan to increase their budgets by between 25% and 100% over the next three years.

US leaders—those most advanced in using AI for reporting—dig deeper into their pockets. They apportion 12% of their IT budgets to AI-related activities vs. 9% of other US companies. They intend to increase their AI budgets by nearly 28% over the next three years. About four out of 10 AI leaders plan to hike their spending by between 25% and 100% over the next three years.

### Average percentage increase in AI investment

Next year



Three years



● AI leaders ● Others ● All





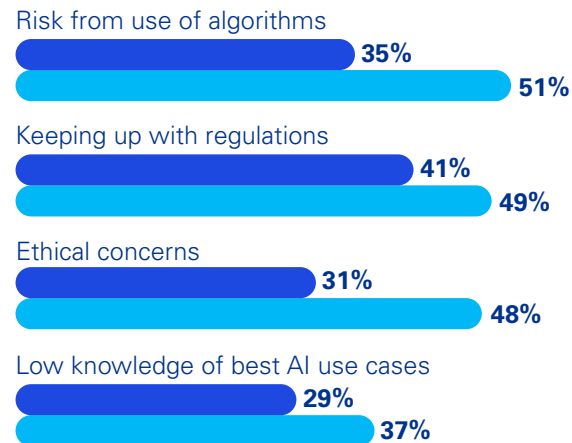
# Learning from the leaders

## Overcoming barriers to AI adoption

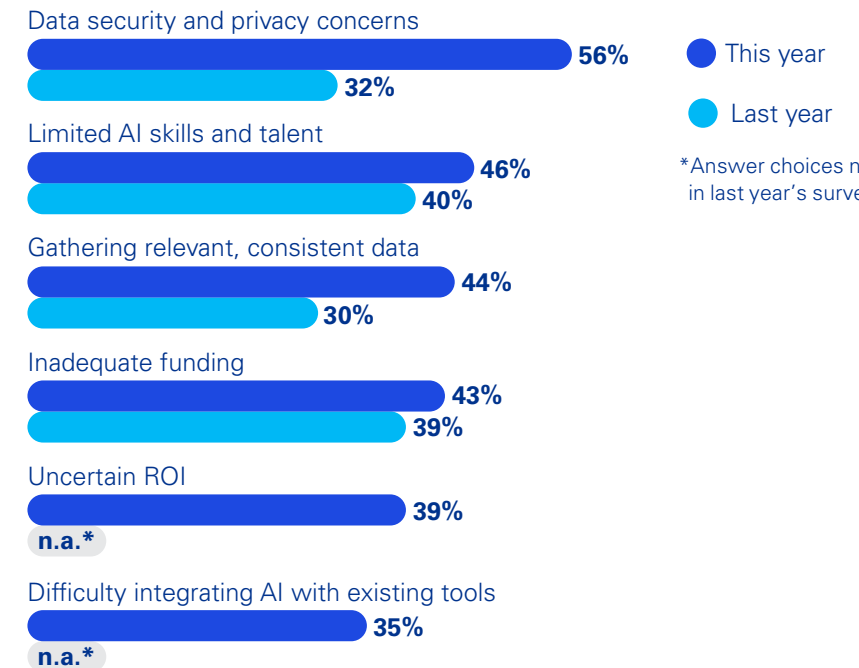
Since last year, some of the barriers to AI adoption have eased thanks to steps companies have taken to improve AI governance and practices. For example, ethical concerns around bias or misinformation have eased from 48% of respondents last year to 31% today, and keeping up with regulatory changes has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



\*Answer choices not in last year's survey.



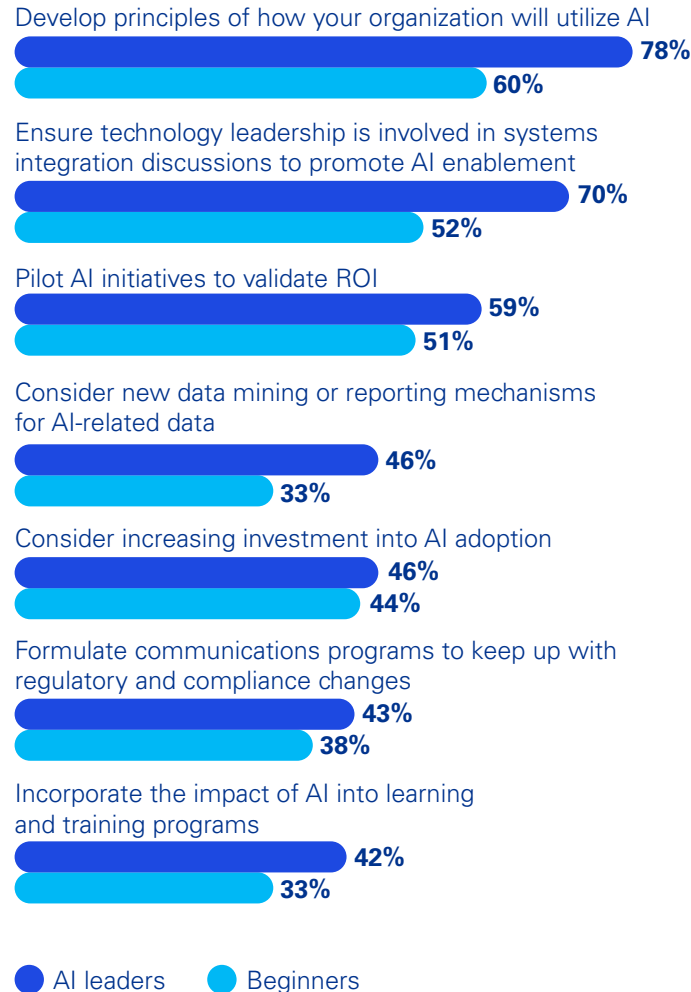
As companies advance in AI-enabled financial reporting, they often face different challenges. For example, concerns around data security and privacy, insufficient organizational knowledge of AI, and lack of understanding of AI use cases loom larger for companies first starting to use AI in reporting. 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.”

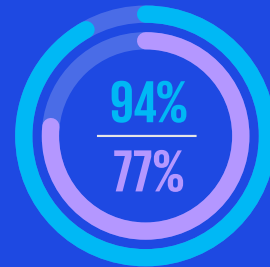
**Ed Moran**  
 Managing Director  
 Audit Technology & Innovation  
 KPMG in the US

# Becoming AI ready

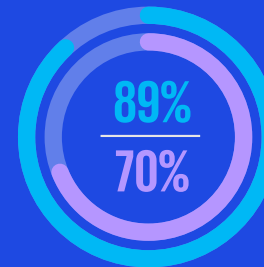
Leaders are better able to jump over hurdles because they lay the groundwork for using AI in reporting. Nearly all (see chart) have made significant progress in using a cloud platform to host their reporting activities, and 88% are mid-way or finished in incorporating both cybersecurity and workflow standardization into their financial reporting processes.

Almost as many are advanced in replacing their legacy systems, conducting paperless bookkeeping, and establishing a common data basis. Somewhat fewer have made considerable progress in managing master data quality and standardizing the system landscape.

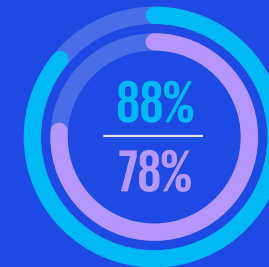
## Best practices in financial reporting (mid or full implementation)



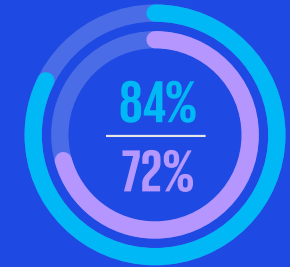
Cloud migration



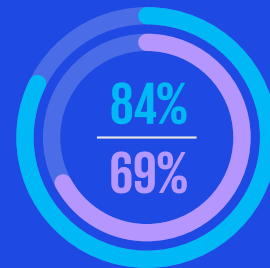
Standardization of workflows



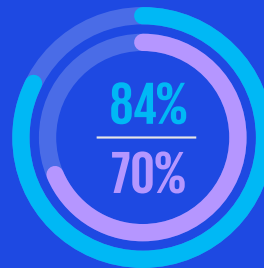
Cybersecurity



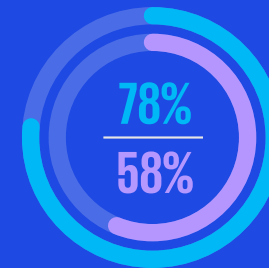
Discontinuation of legacy systems



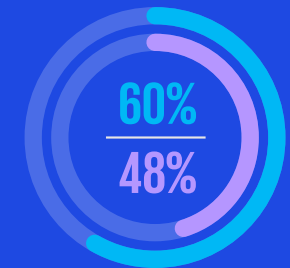
Establishment of common data basis ('single source of truth')



Paperless bookkeeping



Management of master data quality



Standardization of system landscape

● AI leaders ● Others

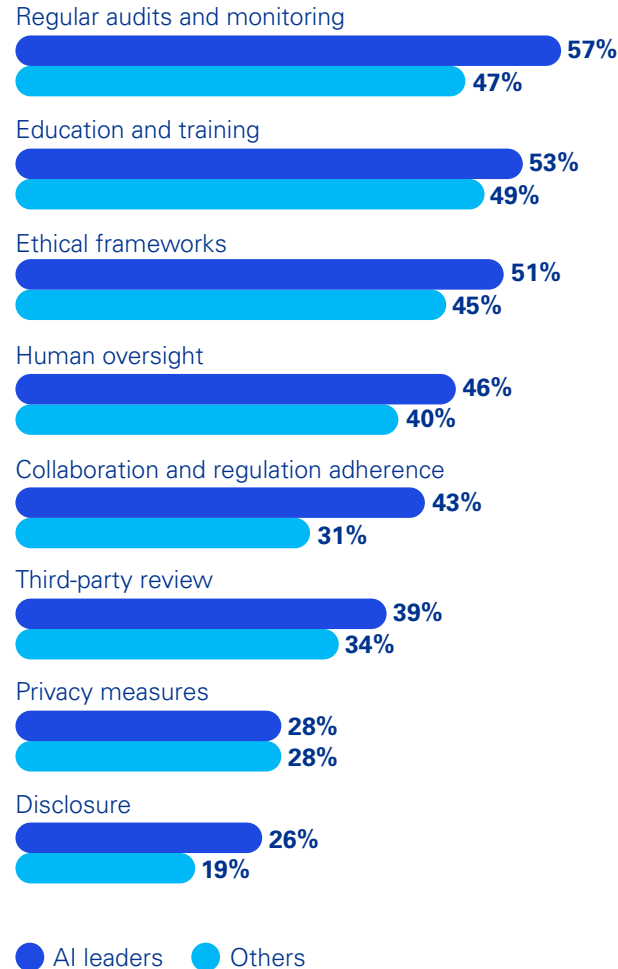
## Leaders focus on ethical use of GenAI

Last year, financial reporting respondents expressed concerns around the use of GenAI. These included transparency (33%), data privacy (32%), accuracy (32%), and many others. While these worries slowed progress in employing GenAI among many companies, AI leaders have powered forward over the last year, with 42% using it either selectively or widely for financial reporting.

Leaders recognize the importance of adopting measures to ensure the ethical and responsible use of GenAI. They believe that the most effective practices are regular audits, followed by training and development of ethical frameworks.

When adopting AI, AI leaders judge security (75%), privacy (60%), data integrity (46%), reliability (30%), and sustainability (26%) to be the five most important attributes. According to leaders, the main blind spots that companies should avoid are explainability (47%), accountability (36%), fairness (31%), transparency (29%), and sustainability (23%). Financial reporting leaders should be particularly wary of sustainability because it is both a top-five blind spot and attribute.

### Very effective practices for the ethical use of AI



It's clear that financial reporting leaders are rapidly accelerating investments to use AI and GenAI to not just gain efficiencies but create more value for their organizations by predicting trends and identifying and mitigating emerging risks from this rapid transformation."

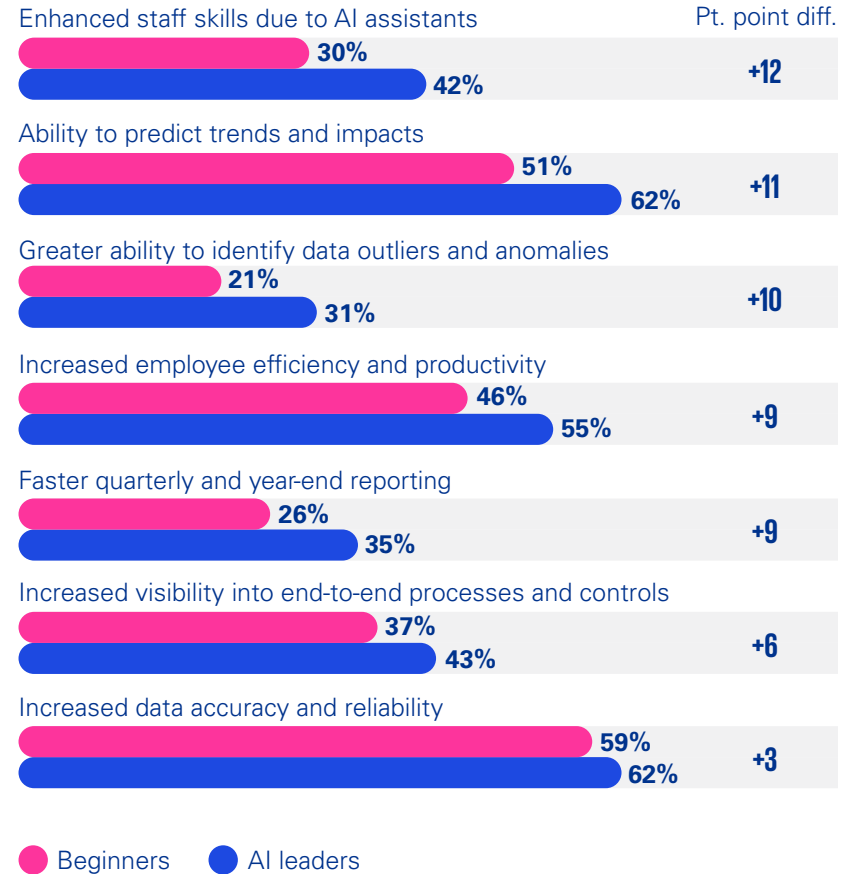
**Scott Flynn**  
Vice Chair  
Audit, KPMG US

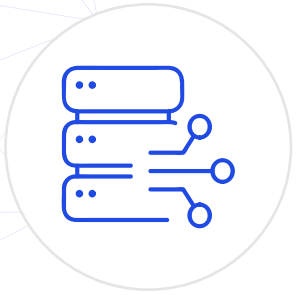
## Benefits from AI-enabled reporting

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





# Auditors will need to embed AI into their practices



# 83%

of financial reporting leaders now say it is important for auditors to use AI in their analysis **vs. 61% last year**

**As AI becomes more prevalent in financial reporting, organizations want their external auditors to thoroughly evaluate their use of the technology. Respondents cited more detailed review of the control environment (66%) and AI governance maturity assessments (61%) as the top two ways they expect their auditors to evaluate their use of AI in financial reporting in the future.**

More than 80% of companies overall want their auditors to utilize AI in performing their analysis (up from 61% last year). They would like their auditors to prioritize the use of AI for a broad range of activities, from data analysis, quality management, and anomaly identification to risk mitigation, fraud detection, and predictive analysis (see chart on next page).

Crucially, financial reporting leaders expect their auditors to speed up their timetables for wide GenAI adoption. Last year, 47% said they thought that GenAI would become a common practice among auditors in one to two years, and 46% foresaw it happening in three to five years. Now, 73% of financial reporting leaders expect the use of GenAI to become the norm over the next two years, and 23% believe it will happen in two to three years.

Companies believe their auditors are well equipped to take up the mantle. Some 71% report that their auditors understand their company's use of AI in reporting well or very well. In addition, 83% say that their auditors' ability to take advantage of AI is equal or higher than their own capacity.

### Top 10 areas that auditors should prioritize



Risk/anomaly identification



Data analysis and quality management



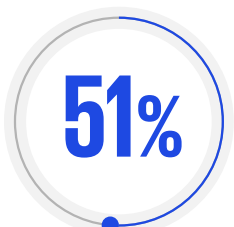
Risk mitigation and internal controls



Fraud detection



Predictive analysis and forecasting



Real-time auditing



Speed of delivery



Gather value-added audit insights



Document and data gathering



Improve responsiveness and flexibility

“

The audit profession plays a key public interest role, underpinning the healthy functioning of the capital markets. As AI becomes steadily more embedded into how those markets operate, businesses may need help to drive a safe and successful transformation in financial reporting — through expertise in data management and analysis, deep understanding of regulatory and independence processes, and access to best in class alliance partners to drive innovation.”

**Thomas Mackenzie**

Global Audit Chief Technology Officer  
KPMG International



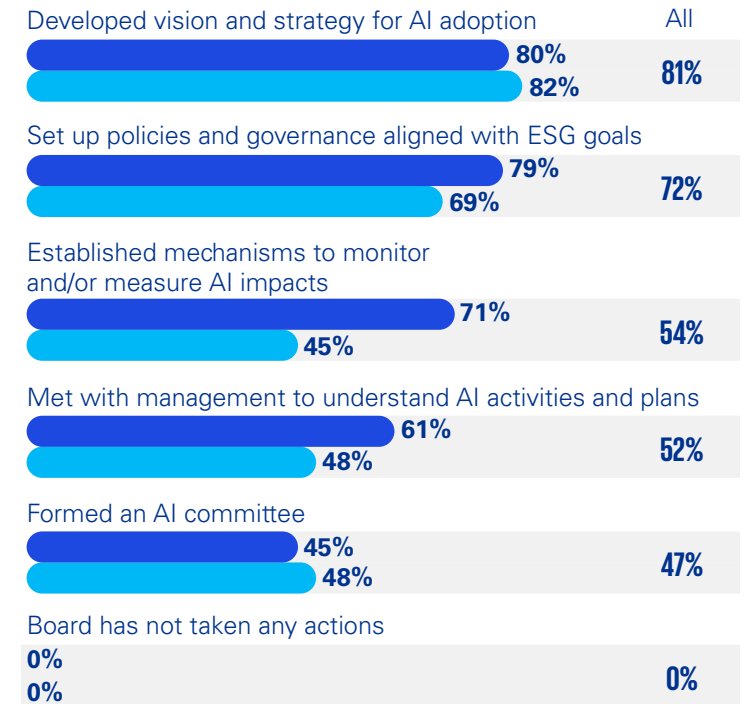
# AI and the Board



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



# The road ahead

The use of AI across business activities—and particularly in financial reporting and auditing—continues to accelerate among companies around the world. Half of the US organizations surveyed work with multiple vendors of AI solutions to give them access to a wider range of expertise and technologies, and a larger percentage say they prefer to work with vendors with proven track records.

## Company vendor strategies in adopting AI solutions

We prefer to work with vendors who have a proven track record in the AI industry and who can provide us with the best solutions for our specific needs.



We prefer to work with multiple vendors, as we believe that this will give us access to a wider range of expertise and technologies.



We do not have a specific vendor strategy when it comes to AI solutions, and we evaluate each vendor on a case-by-case basis.



We are open to working with one vendor or multiple vendors, depending on the specific requirements of each project.



We prefer to work with one vendor, as we believe that this will lead to greater consistency and integration across our systems.



**Besides working with experienced outside vendors, companies can follow the example of AI reporting leaders by making the organizational, process, technological, and governance changes needed to become AI ready. This includes earmarking adequate funding for AI initiatives, identifying and addressing AI barriers and concerns, and laying the digital foundation for AI success. At the same time, companies will want to look to their auditors for the guidance and support to drive the transformation of reporting and auditing—something that companies clearly would welcome.**

This can include the development of AI-enabled auditing platforms that integrate with companies' systems and help bring the power of AI into the reporting ecosystem—analyzing entire datasets, identifying outliers or risks, and joining up financial and non-financial reporting to create a seamless, coherent reporting landscape.

The stakes are high. By harnessing AI in the reporting and auditing function, AI leaders are already enjoying a myriad of benefits, from real-time insights into risks and the ability to predict trends and impacts, to increased employee productivity and a greater ability to attract talent.



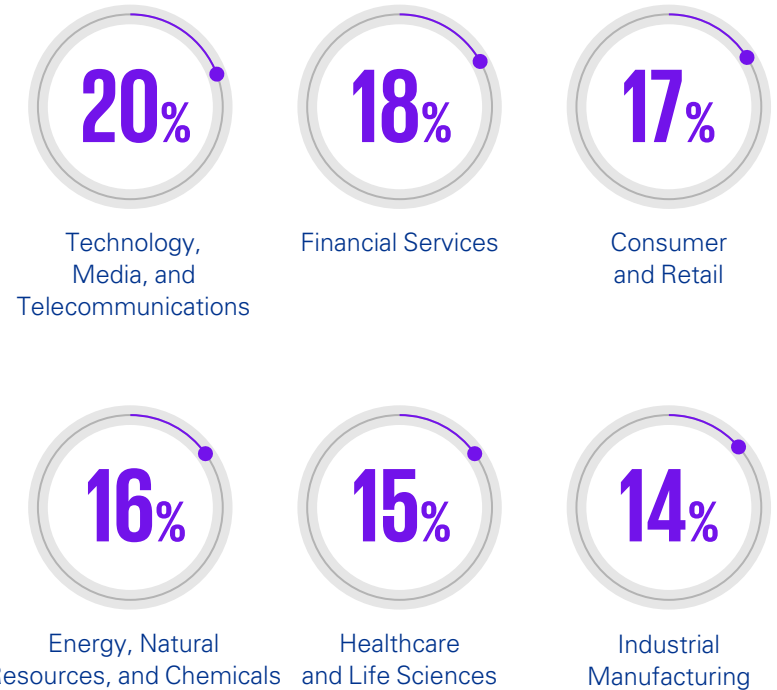


# Research background: sample breakdown

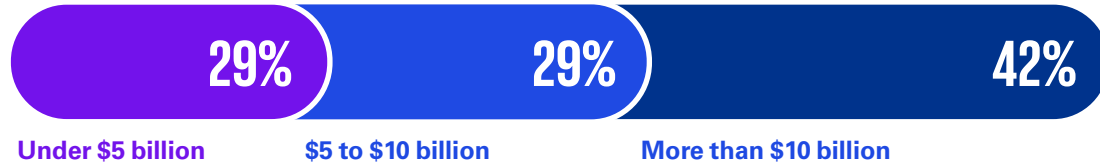


To understand how companies are adopting AI in financial reporting, KPMG surveyed 1,800 companies globally, in 10 countries and in six industries. Of the total respondents, 300 were in the US. The overall breakdown of the 300 US respondents is as follows:

## US respondents by industry



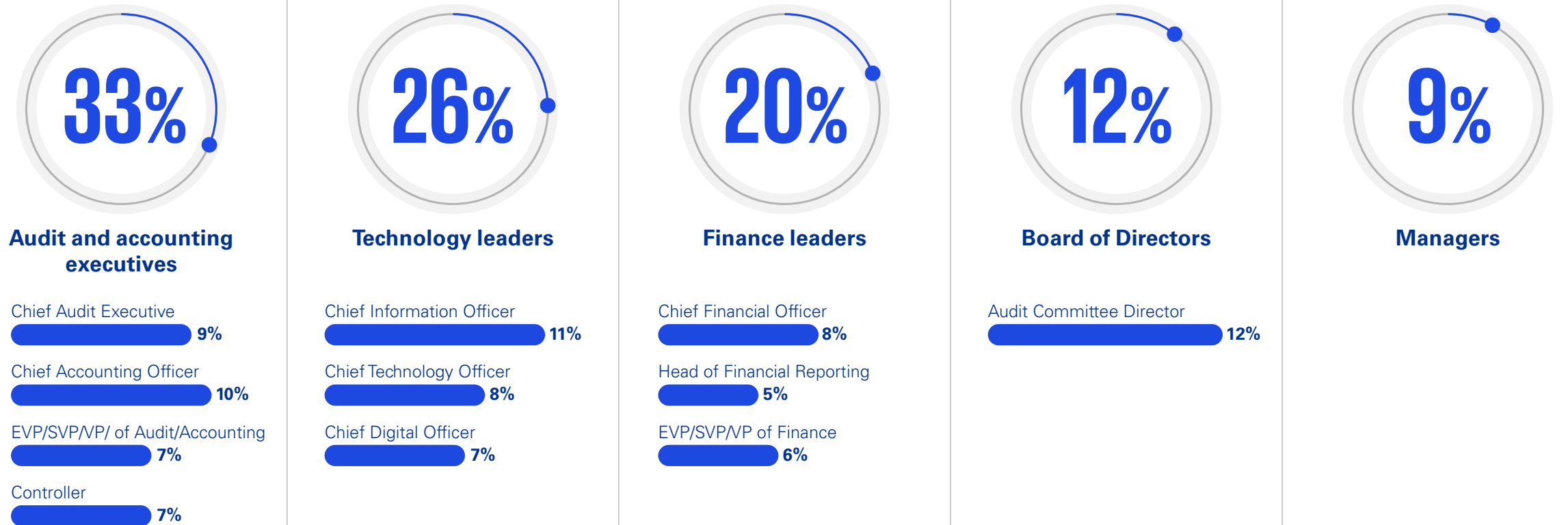
US respondents by company revenue



US respondents by company type



US respondents by title



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