



FY24 Audit Quality Report

January 2025

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Letter to Stakeholders

We are pleased to release our 2024 Audit Quality Report, which provides an update on our firm’s strategy to lead on audit quality.

We continue to make multi-year transformative investments in our audit approach, system of quality control, people, and technology to sustainably enhance audit quality. We also remain committed to driving continuous improvement on our journey to transform the audit experience.

We expect our 2024 PCAOB Inspection Report, covering 2023 audits, will show a Part 1.A deficiency rate of 20%, our lowest deficiency rate since 2009. We are also a leader in conducting audits without restatements. Our approach centers on giving investors high quality audits while, delivering audit committees, management, and our people a better audit experience.

Building on this progress, we are rapidly and responsibly advancing on our Trusted AI journey to bring AI into the audit, while investing and advocating for reforms that will attract more talent to our profession, supporting audit quality, our capital markets, and economic growth.

In this report, you will find details on our vision for a better audit experience, our progress on our journey, and our focus for the future. Additionally, we continue to bring the power of our full firm to protect investors and support our capital markets.

We understand that businesses continue to face a combination of short-term disruptions, such as cyber-attacks, supply chain challenges, and extreme weather events, as well as long-term structural challenges, such as demographic changes and geopolitical risks.

This dynamic—what we call compound volatility—requires firms to be more agile and resilient to thrive. At KPMG, we bring people together with multi-disciplinary skills empowered by AI-enhanced technology to help.

We encourage readers to follow us on [LinkedIn](#), and read and subscribe to our [Financial Reporting View](#) newsletter for future updates on all these topics.

As always, we encourage audit committees, boards, and management teams to connect with our engagement teams.



Paul Knopp

KPMG US Chair and CEO



Scott Flynn

KPMG US Vice Chair—Audit

Defining audit quality

Audit quality is fundamental to maintaining public trust in the capital markets and protecting investors. It is the key measure on which our professional reputation stands.

We define “audit quality” as the outcome when audits are executed consistently, in line with regulatory requirements and the intent of applicable professional standards, within a strong system of quality control.

All our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics, and integrity.

01

Our Approach to Deliver a Better Audit Experience

We are committed to providing investors quality audits delivered through a better audit experience for audit committees and management teams.

In the era of compound volatility¹, all businesses are investing in agility, resilience, and trust to grow. To support stakeholders navigating this challenge, we are continuing to transform the audit to deliver a better experience.

■ Our vision for a better audit experience

- High quality audits that build trust in the capital markets.
- A tailored experience through the power of our people and next-gen AI-enabled technology platforms.
- Unique audit insights on evolving financial reporting risks.
- Accountable leadership that sustains quality and accelerates innovation.
- Solutions-focused, multi-disciplinary teams to solve the most pressing challenges top-of-mind to investors, the C-suite, board directors, and regulators.

At KPMG, we bring the full strength of our firm to help our stakeholders navigate compound volatility, while adhering to relevant independence requirements. These efforts include:

- Seamlessly integrate multi-disciplinary specialists from across our firm on audit engagements. In FY24, specialist hours were up 10% relative to FY21, exceeding 2.3 million hours.
- Innovating [private company-specific audit, tax and advisory services](#) in anticipation of renewed investments, initial public offerings (IPOs), and acquisitions.
- Engaging companies on [AI opportunities and risks](#) as they advance on their Trusted AI journeys.
- Bringing global expertise to deliver [sustainability assurance and reporting readiness services](#) aligned to business growth strategies to meet evolving global requirements and investor expectations.
- Helping companies understand the implications of the [2025 Tax Trifecta](#)—the impending expiration of Tax Cuts and Jobs Act (TCJA) provisions in 2025, the ongoing implementation of the OECD’s global tax deal, including Pillar II, and waves of regulatory change.

¹Compound volatility refers to the dynamic in which businesses face the combination of short-term disruptions, such as cyber-attacks, supply chain challenges, and extreme weather events, as well as long-term structural challenges, such as demographic changes and geopolitical risks

■ A better audit experience for audit committees and management teams

For the companies we audit, our multi-year transformational investments in our system of quality control are sustainably enhancing audit quality.

The hallmarks of a KPMG audit are:

- **Empowered decision makers.** Our audit approach brings together dedicated and smart professionals who have deep industry experience. These teams drive our audit strategy and deliver a seamless experience.
- **Balance of standardization with specialized services.** Our approach to the audit recognizes the benefits of both standardization and specialized services to drive efficiencies, while tailoring our approach to the unique risks of the business of the companies we audit.
- **Real-time communications and transparency.** Our audits accelerate work to find risks earlier in the audit cycle, minimizing surprises. Meanwhile, our KPMG Clara platform provides audit committees and management real-time updates on the status of audits. Our engagement teams work collaboratively with our national office, the Department of Professional Practice (DPP), to effectively communicate audit insights as well as industry, regulatory, accounting, and financial reporting developments relevant to audit committees and management.
- **Reduced burdens on financial reporting, operations, and management teams.** We use advanced technology to extract data and refine risk assessments by analyzing more transactions. This effort reduces the burden on management and people while enhancing the quality of our audit and delivering deeper insights.

■ Our progress against this vision

We are focused on transformational change to drive significant, continuous improvements in audit quality. Our audit transformation has delivered positive results and empowered our auditors to deliver high quality audits during a time of compounding market risks.

We take a holistic view of audit quality, including our PCAOB Inspection report Part I and Part II (SoQC) trends as well as financial statement restatement trends.

- Part 1 trends refer to Part 1.A deficiencies in certain issuer audits in which the PCAOB believes the firm at the time it issued its audit report did not obtain sufficient audit evidence to support its opinion on the financial statements and/ or internal control over financial reporting.
- Part II trends refer to comments based on observations from the inspections process that indicate the firm’s system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements.
- Restatement trends refer to frequency of financial statement restatements by companies we audit.

We review all these trends, investigate root causes, implement actions, and build solutions into our system of quality control, creating sustainable audit quality improvements.

This approach also delivers a better experience. Rather than simply chasing Part 1.A comments, we take a multi-year approach to transformation, building change into our audit approach for more consistent, thoughtful and impactful execution. This approach sustains our ability to drive continuous improvement.

“ We expect our 2024 PCAOB Inspection Report, covering 2023 audits, will show a Part 1.A deficiency rate of 20%, our lowest deficiency rate since 2009. ”

This milestone follows a multi-year period in which our deficiency rate held steady, while others in the Big 4 and the profession more broadly saw rising deficiency rates. Moreover, the specifics of our findings continue to narrow.

Part 1A Deficiency Rate



² This data point is our expectation for that PCAOB Inspection Report, which has yet to be released.

Looking ahead

We anticipate that our 2024 Inspection Report, covering 2023 audits, will show that we had our lowest deficiency rate since at least 2009. We also expect that report to show no audits with an incorrect audit opinion on the financial statements or ICFR.

We also continue to maintain the lowest rate of restatement in the Big 4. Our last PCAOB report indicated we had no audits with an incorrect opinion on the financial statements or the ICFR. We expect our next report will show the same. These results reflect the totality of our transformation work. Highlights include:

- Enhancing leadership accountability to accelerate audit work earlier in the cycle:** In recent years, we have accelerated audit work earlier in the audit cycle, shifting work out of our traditional busy season, which improves our ability to focus on areas of highest risk with reduced time pressure. This ongoing effort is driven by providing more resources to partners and other professionals to meet audit milestones paired with compensation clawbacks for partners tied to pulling work forward.
- Revamping and enhancing our internal quality reviews process:** As we pulled more work forward in the audit cycle, we used that capacity to expand the scale and scope of our internal quality reviews. Today, KPMG conducts pre-issuance reviews on 100% of audits of public companies that file a Form 10-K.
- Strengthening our firm-wide system of quality control:** We documented and tested controls to enhance audit quality in advance of the International Auditing and Assurance Standards Board’s (IAASB) International Standard on Quality Management 1. We have also required leadership certifications of our system of quality control for several years.
- Staying ahead of fraud:** Audit engagement teams are continuing to engage forensic specialists to better identify and test for fraud risks as part of fiscal year 2024 audits.

Looking ahead

Our audit quality foundation positions the firm to lead the profession into the future on quality, innovation, independence, and talent.

- **Quality:** Building on the success of our audit transformation, we recently announced the formation of an Independent Audit Quality Advisory Committee (IAQAC). The IAQAC is advising KPMG on matters underpinning our commitment to audit quality, including efforts to respond to issues identified in PCAOB inspections.

The committee will also provide perspectives and insights on how the firm continues to deploy Trusted AI capabilities into our audits. The committee will provide an independent and informed perspective on matters related to audit quality, complementing the governance of the firm’s Board of Directors, which includes three independent members.

- **Innovation:** AI will fundamentally transform the nature of the audit, helping auditors better refine risk assessments and design testing procedures to enhance audit quality. Over the past 18 months, the firm has responsibly [deployed generative AI \(GenAI\) capabilities](#) to our audit practice and in July 2024 we announced [the integration of AI capabilities directly into KPMG Clara](#), our global smart audit platform. These GenAI efforts came on top of deploying machine learning and artificial intelligence solutions for KPMG Clara Transaction Scoring

In practice, this means 90,000 auditors at KPMG firms across the globe are using KPMG Clara with AI, which interacts directly with audit engagement documentation and our audit methodology for both public and private companies. KPMG professionals have also engaged in 1.7M conversations with KPMG Audit Chat, our proprietary generative AI tool built on Azure OpenAI service. Consistent with our continuous improvement mindset, we are going beyond AI integration into our platform and are continuing to invest in new capabilities, including AI agents to drive the use of AI in a safe and responsible manner within the audit

- **Independence:** Independence empowers auditors to challenge processes, assumptions and findings during the audit. We provide our people with personal independence concierge services, virtual office hours, and require trainings so that they can navigate complex and difficult independence requirements.

More broadly, while we believe the capital markets benefit from our multi-disciplinary model, we thoroughly evaluate potential non-audit services to audit clients to maintain independence and avoid compromising audit quality.

We continue to implement compensation clawbacks for national and local leaders tied to independence outcomes and conduct internal audits of independence compliance by job-level throughout the year.

- **Talent:** This October, KPMG became the [first Big 4 firm to publicly advocate](#) for alternative pathways to CPA licensure that emphasize experience after one earns their bachelor’s degree. Today, people pursuing a CPA are required to complete 30 additional hours of academic credits after earning their bachelor’s degree, work under the supervision of a CPA for one-year, and then pass the CPA exams to be licensed.

Alternative paths would replace the additional 30-hour academic requirement with experience or create work-study programs overseen by businesses that deliver the equivalent or better value. These options would reduce the financial costs of achieving a CPA, while elevating the role of hands-on experience in securing one’s license. As states move forward, we also believe reciprocity is essential and reforms should aim for the simple over the complex. We believe this reform will attract more people to the profession, enhance the quality of CPA candidates and build trust in our capital markets.



Engaging the financial reporting ecosystem

Audit firms must engage the full financial reporting ecosystem to narrow the expectations gap between auditors and stakeholders and best support the capital markets. At KPMG, we focus on engaging all stakeholders on evolving market risks, new regulatory requirements and accounting standards, and the opportunities and challenges associated with technology and AI. Our engagement includes:



Leading within professional bodies:

We partner with professional bodies, such as the Center for Audit Quality, the AICPA and CIMA, to engage on key issues defining the profession from standard-setting, technology, the value of assurance, and talent.



Convening stakeholders on key issues:

Every year, we host hundreds of gatherings, including national and local events as well as in-person and virtual. Our flagship events include our annual Accounting and Financial Reporting Symposium, Audit Committee Leadership Forum, and Board Leadership Conference.



Issuing timely and relevant thought leadership:

During FY24, KPMG US issued 223 audit insights (publications, webcasts, podcasts) garnering more than 27 million touchpoints, demonstrating our commitment to expanding the awareness and understanding of complex audit and financial reporting topics. Our Board Leadership Center, which includes our Audit Committee Institute, developed and released 45 publications, podcasts, and webcasts and held more than 100 board-level conversations.

Constructive Public Policy Engagement

KPMG constructively engages in the PCAOB's rulemaking and inspections process. We believe it is essential that we continue to modernize the auditing standards in ways that protect investors and close the expectations gap between auditors and the capital markets. We also believe that the inspections process enhances audit quality through accountability in the profession, but also by informing our efforts to identify root-cause challenges within our system of quality control.

As always, this year we evaluated proposed rules, offering support and feedback to inform the final standards. A few highlights of our engagement include:

- QC 1000:** The IAQAC is independent of our commitment to comply with the PCAOB's new quality control standard, QC 1000, and the requirements for an External Quality Control Function (EQCF). KPMG US is [supportive of QC 1000](#) and is already implementing measures to comply with the new standard. We are also supportive of the EQCF role. As we move forward, we continue to underscore the importance of a principles-based approach that allows firms to design and implement a QC system tailored to the unique risks and circumstances of the firm.
- Auditing with technology:** We are encouraged by the PCAOB's consideration of technology in the audit in its standard-setting activities. KPMG has a rigorous process to test and understand our technology, from piloting to full deployment over several audit cycles. We are focused on upskilling our people to best use this technology, including maintaining an emphasis on a human-in-the-loop approach and the need for professional judgment in all aspects of our audit approach. We believe continued engagement within the profession is central to modernizing the standards to enable greater use of AI/machine learning and GenAI in the audit.

02

Our System of Quality Control

Our audit approach recognizes the importance of empowering audit engagement leaders and teams, while building a system of quality control that supports them with more standardization, centralization, and automation, as well as specialized services.

This balanced approach allows our audit engagement teams to focus on the areas of highest risk with supportive and collaborative engagement with our national office.

Aligned with our commitment to a better audit experience, this approach supports real-time communications and transparency with audit committees and management teams as well as the delivery of orderly audits that pull work forward to minimize surprises and sustain quality.

This section outlines the role of partners and other professionals in our national office, Risk Management, and Engagement Quality Control Review (EQCR) teams in enhancing our system of quality control.

Spotlight

Meet our national office and EQCR Teams

Our efforts to enhance our system of quality control are led by our national office, which is made up of more than 200 FTE partners and managing directors, or approximately 15% of all Audit partners and managing directors. This team provides real-time support for audit teams related to audit and accounting technical requirements.

Our EQCR Team consists of 540 total SEC Reviewing Partners and the managing directors who assist them. These EQCR teams predominantly reside in our operating offices throughout the country, working throughout the audit process in a collaborative way to support audit quality. In collaboration with our national office, our Risk Management—Regulatory and Quality Monitoring Group, is integral to our efforts to enhance our pre-issuance reviews to cover 100% of audits of public companies that file a Form 10-K.

■ Audit quality trends

There is no one measure of audit quality. As stated previously, we take a holistic view of audit quality, including our PCAOB Inspection report Part I and Part II (SoQC) trends, restatement trends, as well as certain inputs, such as audit execution metrics, the use of technology, and proper supervision and review.

We expect our 2024 PCAOB Inspection Report, covering 2023 audits, will show a Part 1.A deficiency rate of 20%, our lowest deficiency rate since 2009. This improvement builds on a multi-year trend of relative improvement compared to the profession.

In audit years spanning 2020 through 2022, while KPMG maintained a mostly consistent deficiency rate, the average deficiency rate for other firms with global networks, excluding KPMG, almost doubled to 37%+. When looking at the profession overall, the PCAOB reports that deficiency rates rose from 29% in 2020 to 46% in 2022.

Additionally, our most recent inspection report covering 2022 audits showed no audits with an incorrect audit opinion on the financial statements or ICFR. We expect our 2024 PCAOB Inspection Report, covering our 2023 audits, to also show no audits with an incorrect audit opinion on the financial statements or ICFR.

More broadly, when looking at restatement rates across public audits, the firm continues to perform well, and we have the lowest material restatement rate among global network firms.



■ Reimagining the audit lifecycle to deliver a better experience

We have executed and expanded a multi-year initiative to reimagine how we conduct our audits. Today, we are continuing to pull more audit work forward across public and private audits. This effort enables our teams to focus more on the areas of highest risk and reduces the burden of the traditional busy season between the closing of the books and issuance of the financial statements. This effort is supported by ongoing monitoring and coaching as well as pre-issuance reviews for 100% of audits of public companies that file a Form 10-K.

- **Monitoring and coaching:** We continue to set milestones and monitor progress at the engagement team, business unit, and national level to support all engagements with the appropriate resourcing, coaching, and guidance across the audit cycle.

We set milestones by which audit engagements complete certain work, while monitoring 12+ metrics, and 18 other measures across multiple points in the audit cycle, to evaluate whether audits are progressing in ways that support quality. These metrics cover project management, engagement execution, and supervision and review.

- **Pulling work forward:** We continue to accelerate work in the audit across our broader portfolio. As discussed in last year's Audit Quality Report, we set milestones to complete 40% of all audit documentation by mid-October and 60% of audit documentation before January 1st for calendar year-end public integrated audits. This initiative has been fully deployed among all public audits for multiple years now, delivering a better experience for the companies we audit and our people (see our [people section](#) for more). As noted above, in addition to the monitoring and coaching provided to help engagement teams, we are pairing resources to support pulling work forward with compensation clawbacks for partners tied to this effort. Moreover, as we continue to refine this initiative and gain experience, we continue to see incremental improvements across our public portfolio.

Critically, though, we want all audits to benefit from this approach. Last year, we expanded the effort to include private audit engagements greater than 2,000 hours. Compared to last October, private audit engagements with calendar year-ends completed almost double the amount of audit documentation, extending the benefits experienced on our public audits to our private audits.

- **Expanded pre-issuance reviews:** By pulling work forward, we create the capacity to expand pre-issuance reviews of our audits. Last year, we once again conducted pre-issuance reviews of 100% of audits of public companies that file a Form 10-K. Moreover, in the past few years, these reviews have expanded to cover more facets of the audit, including materiality and group scoping, walk-throughs, risk assessments, control design and effectiveness, substantive testing, and disclosures.

The totality of this effort reflects our commitment to a better audit experience through a high quality, orderly, and timely audit that minimizes surprises.

■ Supporting audit engagements through centers of excellence

We've thoughtfully expanded centralized services, our Center for Audit Solutions (CAS) and our Global Delivery Center (GDC), to support audit engagement teams. Additionally, we are scaling our Audit Capabilities Hub (ACH), which provides centralized services focused on private audit engagements. In FY24, we've expanded both the scope and scale of these services by attracting and developing talent, while coaching engagement teams to better coordinate with centralized service teams. All centralized services are part of our system of quality control, which requires proper supervision and review by engagement team members.

“CAS consists of nearly 500 skilled professionals providing nearly 20 services for audit engagement teams aligned to our audit transformation, audit work, support services, and specialized services.”

- **Audit transformation:** An example offering is our Data & Automated Solutions Hub (DASH), a centralized team of nearly 40 professionals, who assist teams in the identification and implementation of data-enabled technology on the audit. In FY24, these professionals provided 30,000+ hours of engagement support.
- **Audit engagement work:** An example offering is our Emerging Growth Service, which provides support for teams auditing private entities with high growth expectations and plans to file for an IPO in three to five years. This team provided more than 100,000 hours of support for engagement teams last year.

Our GDC professionals work closely with engagement teams to execute standardized elements of public and private audits. These include specific substantive procedures as well as components of asset management audits.

These centralized services save significant hours within engagement teams.

Overall, in FY24, CAS and GDC delivered nearly 24% of Audit engagement hours, excluding our federal government practice.

■ Collaborative national office consultations

We conduct collaborative consultations with the partners and other professionals in our national office on difficult or contentious matters. Consultations involve a thorough understanding of the entity's views as well as the analysis and judgments of both our national office and the engagement team. Throughout this process, lead partners communicate with audit committees and management, and discuss conclusions agreed upon by our engagement teams and national office to provide transparency and insights.

In FY24, these professionals provided guidance on 6,000+ accounting and auditing consultations. Moreover, our national office's Client Liaison Program enhances the audit experience for companies with a pattern of complex accounting and/or auditing matters. This program is supported by over 40 partners and managing directors and features a single point of contact to seamlessly bring together our national office's full capabilities, in collaboration with engagement teams, for participating companies.

Our Industry Liaison Program continues to support Audit Sector Leaders in their efforts to bring industry-specific capabilities and insights to audit committees and management teams. In FY24, we had 15 national office partners and managing directors serving as Industry Liaisons. The Industry Liaisons monitor emerging industry issues, standard-setting, and regulatory matters, and help those industry leaders implement actions to support audits in their respective industries.



03 | Technology

Our strategy is to lead the profession in embedding AI within the audit to enhance quality and drive unparalleled insights. Our efforts are anchored by our Trusted AI framework and deliver a better experience for companies we audit and our people.

This focus reflects all companies' Trusted AI ambitions. Our [May 2024 survey](#) of US financial reporting leaders found GenAI is the number one technology priority in the coming year, with 97% expecting to either pilot or use GenAI in financial reporting within the next three years.

As companies increasingly adopt AI and GenAI technologies, they encounter new opportunities, risks, and challenges. Financial reporting leaders are concentrating on addressing these risks by becoming AI-ready and expect their external auditors to incorporate AI and GenAI in audits while using professional judgment to evaluate control environments.

Our [December 2024 survey](#) on AI in Finance indicates that an increasing number of companies (32%) rank AI as very important to the work performed by their external auditors, up from 25% just six months prior.

We are focused on delivering an AI-enabled, people-powered audit to:

- **Enhance quality:** GenAI and AI capabilities will help us more deeply analyze full data populations to refine our risk assessments and better structure substantive testing, enhancing audit quality. This process also uncovers more audit insights to inform audit committees and management teams.
- **Empower our people:** GenAI will empower, not replace, auditors to better protect the capital markets. AI assistants enhance the quality and efficiency of engagement teams.

AI further enables our auditors to focus on the areas of highest risk, sector-specific risks and challenges to the benefit of both stakeholders and the capital markets.

- **Deliver a better experience:** Ultimately, GenAI and AI capabilities, along with cloud technologies, will continue to reduce the burden on the companies we audit by more seamlessly accessing, analyzing, extracting, and validating data used in the audit.



“ While we’ve moved quickly to test, pilot, and deploy Trusted AI capabilities in our audits, where we are today is just the tip of the iceberg. As we gain more experience with GenAI, further transformation of the audit will occur with agents, data driven insights and a transformed client and people experience.

Thomas Mackenzie,
KPMG Audit Chief Technology Officer

Our AI Journey Through FY24



Trusted AI Approach

Our Trusted AI approach enables deploying AI in the audit with a human-in-the-loop mindset to maintain quality. In the past two years, our audit professionals have conducted 40,000+ hours of training related to AI, including our required AI Ethics courses. By the end of FY24, Audit professionals completed 77,000+ learning assets on AI, ranging from bite-sized micro-learnings to robust learning pathways.

■ Empowering Our People

AI will augment the capabilities of auditors, not replace them. The audit will always be people driven. Our methodology, audit standards, industry dynamics, and a business's particular risks are integrated through human judgment and decision. In fact, we believe AI will pull more people into the profession. By reducing repetitive work, people are free to focus on more strategic, higher-level thinking.

We are already tapping into this dynamic, encouraging our professionals to seize the benefits of technology. KPMG professionals conducted nearly 80,000 hours of data and technology training in FY24. This effort does not include engagement with our 110+ on-demand micro-learnings built into KPMG Clara.

Additionally, our Tech Stars program empowers our auditors to earn stars for investing in their personal career development by demonstrating their competency on key audit technology capabilities. By the end of FY24, 23,000+ Tech Stars have been awarded with 3,600+ people in the program.

Bold investments in our technology platform and our people will accelerate innovation in the years to come.

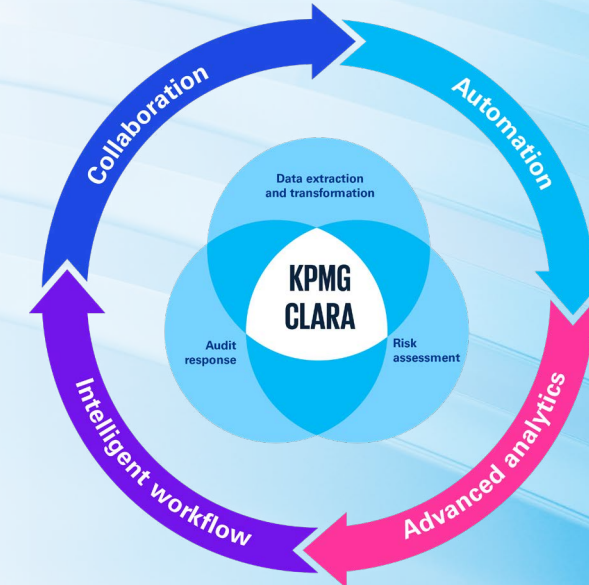
■ Beyond AI—KPMG Clara: Bringing the audit in one place

KPMG Clara is our global smart audit platform, which brings the audit to one place, including collaboration, workflow, automation, and analytics—all enhanced by AI. This full deployment of our secure cloud enabled platform globally has enabled KPMG to add new capabilities in an agile manner, such as GenAI, to be responsive to developments in emergent technology. This allows KPMG to be responsive to ongoing development and enhancements.

These capabilities include data extraction and transformation, including solutions designed for multiple ERPs to meet the companies we audit on their own technology journeys. Within our advanced analytics, we have developed and deployed automated industry-specific routines covering private equity, asset management, life sciences, consumer & retail, insurance, and more. We have also developed and deployed industry-agnostic routines, focusing on revenue, operational expenses, and operating leases.

A powerful approach One centralized platform

We deliver a better audit experience through a modernized approach that effectively coordinates the audit, powers our process with automation and analytics, and supports clear and transparent communication throughout the cycle.



When we evaluate our progress, we track our use of more advanced data and analytic capabilities across our entire portfolio as well as by public and private audits, and by industry.

04 | People

Our people are central to our audit quality commitment, and we aim to deliver them a better audit experience, just like we do for the companies we audit.

Our strategy centers on helping our people learn and develop to grow their capabilities, work smart, lead at every level of the firm, and thrive.

We also consistently communicate the importance of audit quality across our organization, fostering a culture that supports professional skepticism, innovation, and continuous improvement.

To meet our goals, we weave our better audit experience into how we work, learn, and foster a culture that helps people from all backgrounds thrive. To that end, we are focused on:

- Supporting the mental health and well-being of our people through policies, programs, and how we work.
- Aligning our learning and development focus to our audit strategy, while empowering our professionals to customize their learning to own their careers.
- Investing in talent from high school, college, internships, early career, and onward.



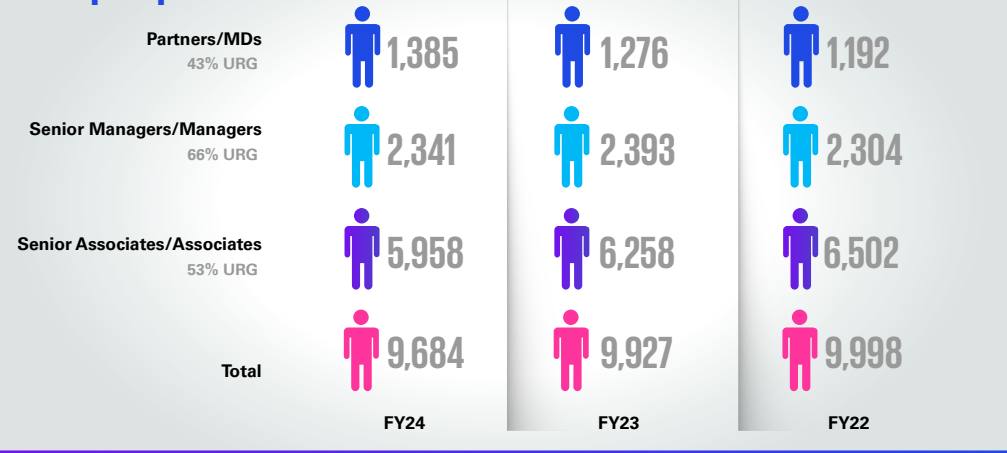
Yelena Kovalenko

Yelena, an Audit senior manager and dedicated mental health advocate and well-being ambassador, supports her peers by incorporating color-coded check-ins and prioritizing regular team interactions. Drawing on her personal experience with burnout and her certification in NeuroIntegration training, she promotes effective stress management and emotional health.

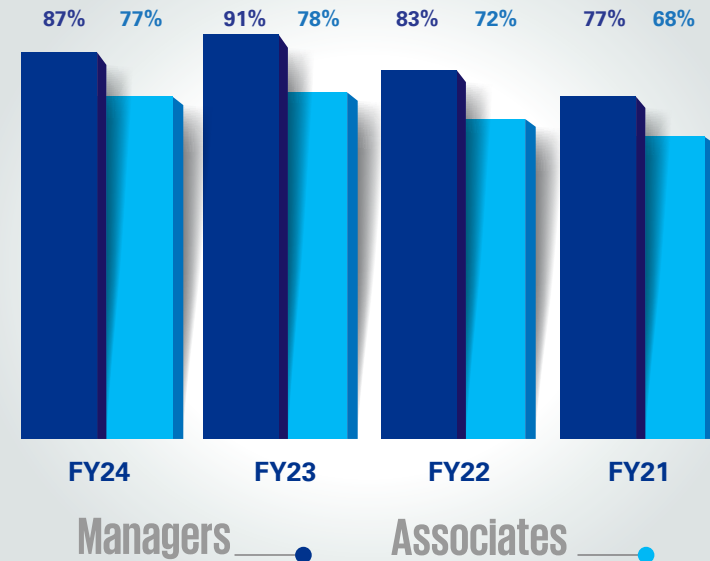
KPMG. Make the Difference.

Our Audit Practice

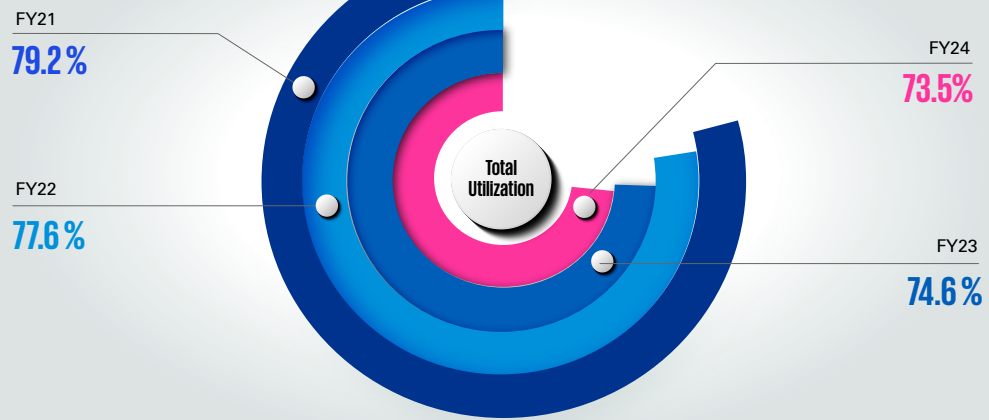
Our people³



Retention level



Total utilization⁴



³At KPMG, underrepresented groups (URG) are defined as groups that have been historically underrepresented and make up a smaller percentage of the KPMG workforce compared with the external population, including people of color, women, LGBTQ+ individuals, people with disabilities, and military service members.

⁴Note, this metric includes technology assurance partners and other professionals across all years. It is restricted to onshore engagement hours.

■ Supporting our people’s mental health and well-being

We continue to help our people stay ahead of burnout by supporting work-life balance, encouraging PTO, and building in rest throughout the year. We have two firm-wide breaks with nine consecutive days of time off in the summer and winter in which the entire firm shuts down, enabling people to truly take time off and disconnect.

However, we are also building rest directly into our approach to work. In Audit, we have been focused on [taking a big bite out of the traditional busy season](#) by reimagining how audits are conducted. In recent years, as referenced above, we’ve implemented new processes to pull more audit work forward, gain efficiencies, and reduce the burden of the traditional busy season, improving the quality of our work.

Since we released our Audit Quality Report in January 2024, we completed the filings of our 2023 year-end audits. Compared to 2020, during the traditional busy season, the average weekly hours worked on audit engagements declined by 18%. Moreover, the percentage of people working no hours on the weekend went from 20% to 40% of our practice. Fewer hours during the busiest time of the year and more weekends off, plus higher quality audits, is the better experience we strive to deliver.

Audit, as part of a firm-wide initiative, executes an [“energy check-in” program](#) to support employees at risk of burnout. With insights using self-reported data and internal systems, we can help employees prior to burnout.

When an employee’s PTO is low, and chargeable hours and total hours are higher than expected, their performance manager gets a prompt to conduct a check-in. This program is now scaled across our firm.



Compared to 2020, people working no hours on the weekend went from **20% to 40%**



Compared to 2020, average weekly hours worked on audit engagements declined by **18%** in the traditional busy season

■ Helping our people grow

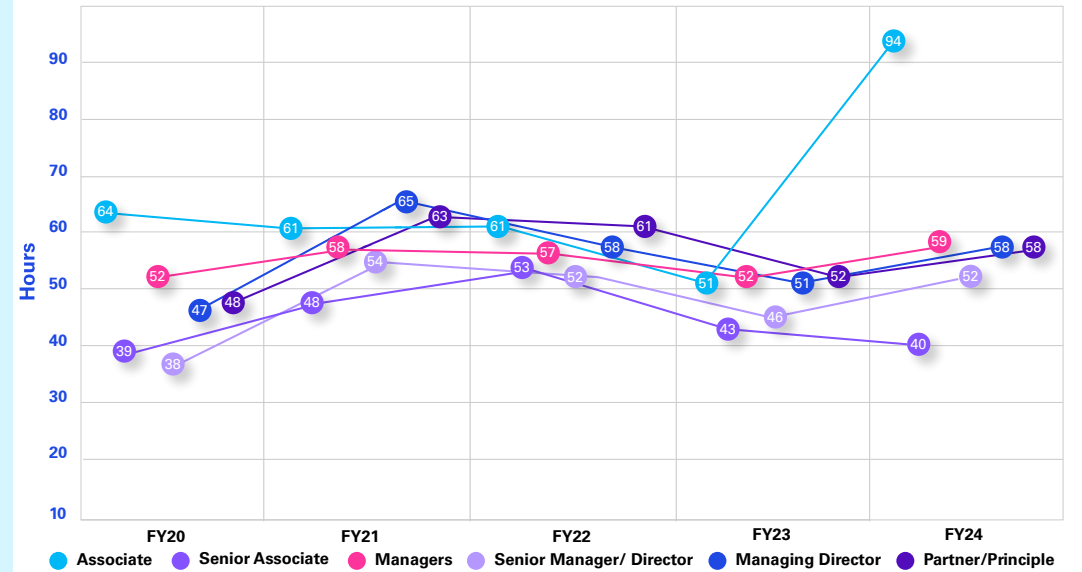
Learning and development is at the heart of our continuous improvement mindset. We believe success requires an immersive approach that combines off-site learning with audit experience, supported by on-demand micro learnings and ongoing coaching. By connecting these efforts to one another, our professionals' own aspirations can truly come to life.

Our approach aligns to three key principles:

- We align our learning and development program to our audit strategy to accelerate our ongoing transformation and sustain audit quality.
- We are laser focused on delivering a curriculum and on-demand, micro-learning assets that deliver value rather than one focused only on the volume of learning hours.
- Most importantly, we continue to create more customization options so that people can choose their learning pathway above and beyond required learning.

All this work is further enhanced when it happens at KPMG Lakehouse, our cultural home. In FY24, every auditor had the opportunity to travel to KPMG Lakehouse to learn, grow, and connect with their colleagues. In total, we had nearly 11,000 people visit Lakehouse from our audit practice, including nearly 1,200 interns.

Average CPEs By Job Level Over Time



These principles inform an approach that sustains audit quality and helps people grow their careers.

We continued to expand our curriculum for new hires. In FY23, we doubled learning hours for new hires from approximately 60 hours a year to 130+. We sustained that effort this year, in part, by continuing to evolve our mock audits for new hires in which they act as both the auditor and a member of the company's management team to understand how we can best deliver a better audit experience.


More broadly, we continue to innovate on how we empower our people to own and drive their development. To that end, at the beginning of FY25, we launched a new Digital Badging program for Audit. This program provides Audit professionals recognition for their skills and achievements earned by completing learning pathways in Degreed, our one-stop shop for all learning. These pathways include courses, but also experiential components. Importantly, these badges can be displayed internally to support one's staffing aspirations, and also externally to showcase their growth in the market.



By end of FY24,
audit professionals
had completed
77,000+
AI learning assets

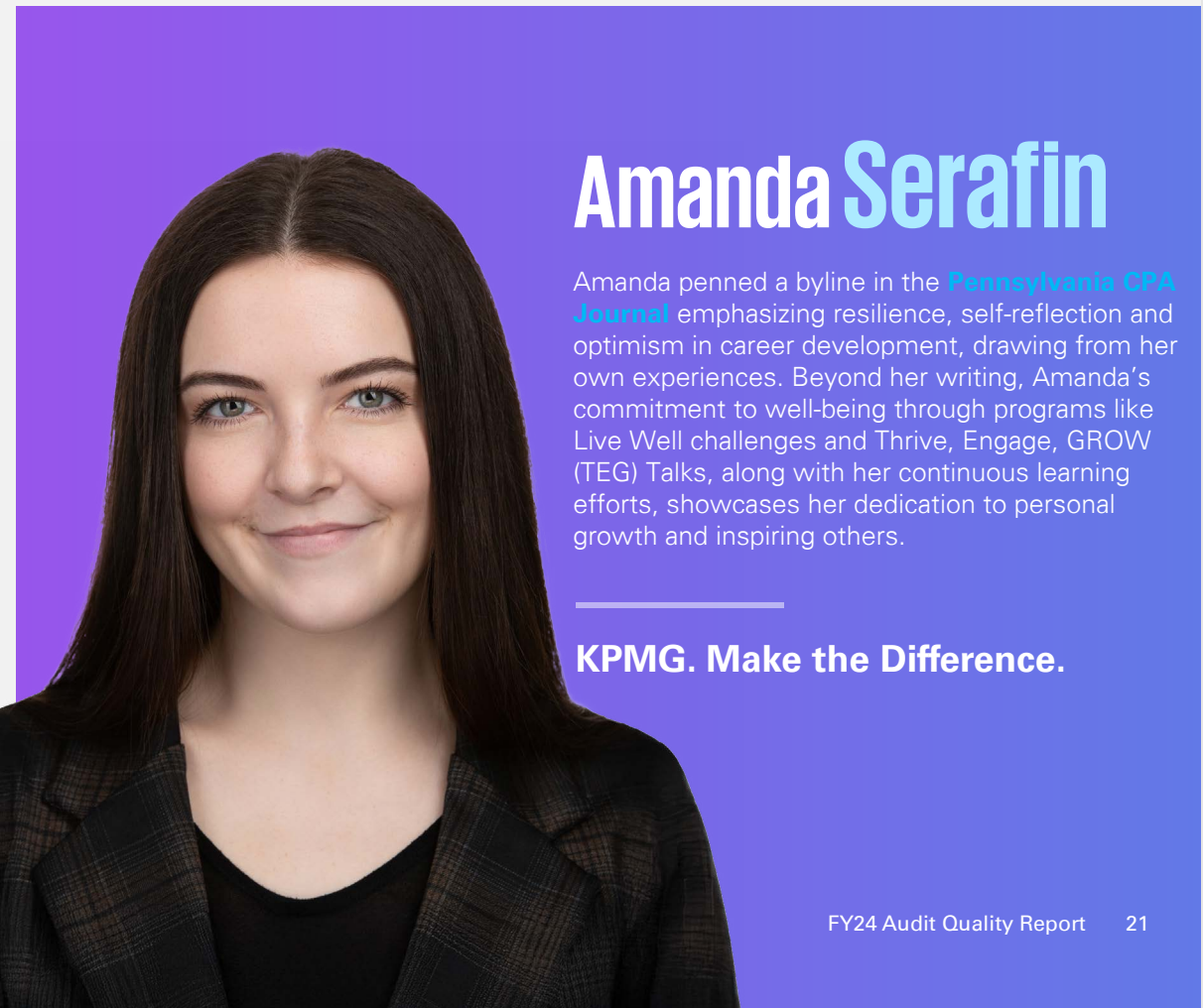
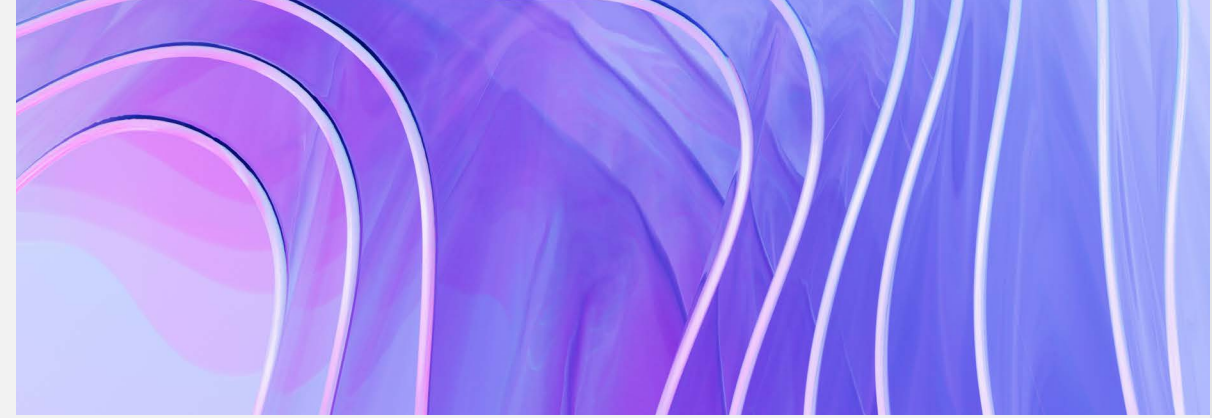
These principles inform an approach that sustains audit quality and helps people grow their careers. In FY24, we had:

 Nearly **80,000** hours of learning on data and technology

 **110+** learning assets available on-demand in KPMG Clara

 **-20,000** hours on AI learning, including required AI Ethics training

 **25,000+** hours of industry specific learning



Amanda Serafin

Amanda penned a byline in the [Pennsylvania CPA Journal](#) emphasizing resilience, self-reflection and optimism in career development, drawing from her own experiences. Beyond her writing, Amanda's commitment to well-being through programs like Live Well challenges and Thrive, Engage, GROW (TEG) Talks, along with her continuous learning efforts, showcases her dedication to personal growth and inspiring others.

KPMG. Make the Difference.

Congratulations!



2023 Elijah Watt Sells Winners



Ryan Durbin
Associate—
Audit



Christopher Hudson
Associate—
Audit



Kelly McCarty
Associate—
Audit



Will Koehler
Associate—
Audit



Tina Sarkissian
Associate—
Audit

Professionals recognized this year for driving AI in the Audit



Jessica Moran
Associate—
Audit



Donald Morris
Manager—
Audit



Seamus McGrath
Manager—
Audit



Lindsey McCloskey
Senior Associate—
Audit

■ Investing in talent

At KPMG, we remain focused on supporting people from all backgrounds in 1) getting here, 2) succeeding here, and 3) leading here.

Getting Here

Community college

- **KPMG Reaching New Heights:** This KPMG U.S. Foundation⁵ grant and matching gift program that currently provides funding to five schools, including three community colleges, aims to support inclusion initiatives in higher education. This program intends to foster collaboration between educators, students, and KPMG professionals.
- **Career Catalyst:** This program is a free virtual learning experience (6-8 hours each) for college students to better understand what it is like to work in Audit, Tax, and Advisory. These modules are open to all students but are promoted specifically to community college students and professors.

University

- **MADA (Master of Accounting with Data and Analytics) Program:** The award-winning, collaborative, first-of-its-kind program prepares students to hit the ground running in today's data age by providing specialized skills for practical use of the latest analytics technology needed in the current data-driven accounting environment.

In the past three years, we have given KPMG more than \$7 million in scholarship funding for students to obtain their MADA degree at one of fifteen participating universities, including four Historically Black Colleges and Universities (HBCUs) and two Hispanic Serving Institutions.
- **Rise Leadership Institute, HBCU Talent+, and Embark Scholars Program:** These university talent acquisition national programs are designed to promote professional services and attract students to the profession.
- **Path to CPA Program:** The Path to CPA Program provides funding for tuition and fees of up to 30 semester credits of online courses to a limited number of students who are interested in a career path in Audit but would not otherwise meet the requirements for CPA eligibility in their intended state of employment. This newly launched pilot program is open to people from all backgrounds and has 10 participants to start.

Succeeding Here

We are focused on enabling all people to succeed at KPMG. In addition to our previously discussed learning and development focus, including our emphasis on new hire training, we have many initiatives to help all people succeed. Some highlights include:

- **CPA Kickstart Program:** We are paying new hires in Audit from all backgrounds to study, prepare, and sit for two sections of the CPA exam.
- **Early Career Development Program:** As we continue to transform our audit, gaining a wide breadth of experience to become a more well-rounded auditor is more critical than ever. Our ECDP provides early career professionals with opportunities for growth by giving them short-term assignments in some of our fast-growing centralized services to develop their skills. This year, we have nearly 60 individuals in the program, which we expect to grow to 100+ in FY25.
- **Rotational Programs:** Our transformation also creates new career paths within our practice, and we create rotational opportunities for people to gain experience and see what those paths may entail longer term. In the past two years, we had 364 rotational opportunities in Audit with nearly 30% ending in full-time shifts to that role.

Beyond programming, we are focused on providing our people a welcoming and inclusive environment, enriched by connections. Engagement teams, through our Be the Team of Choice initiative, make intentional decisions on how they connect and build relationships with one another. Local offices connect people across all our functions through events, Lunch and Learns, and more. We also have Business Resource Groups (BRG) that engage people from a variety of backgrounds to help everyone build relationships.

⁵ KPMG U.S. Foundation is a separate legal entity from KPMG LLP

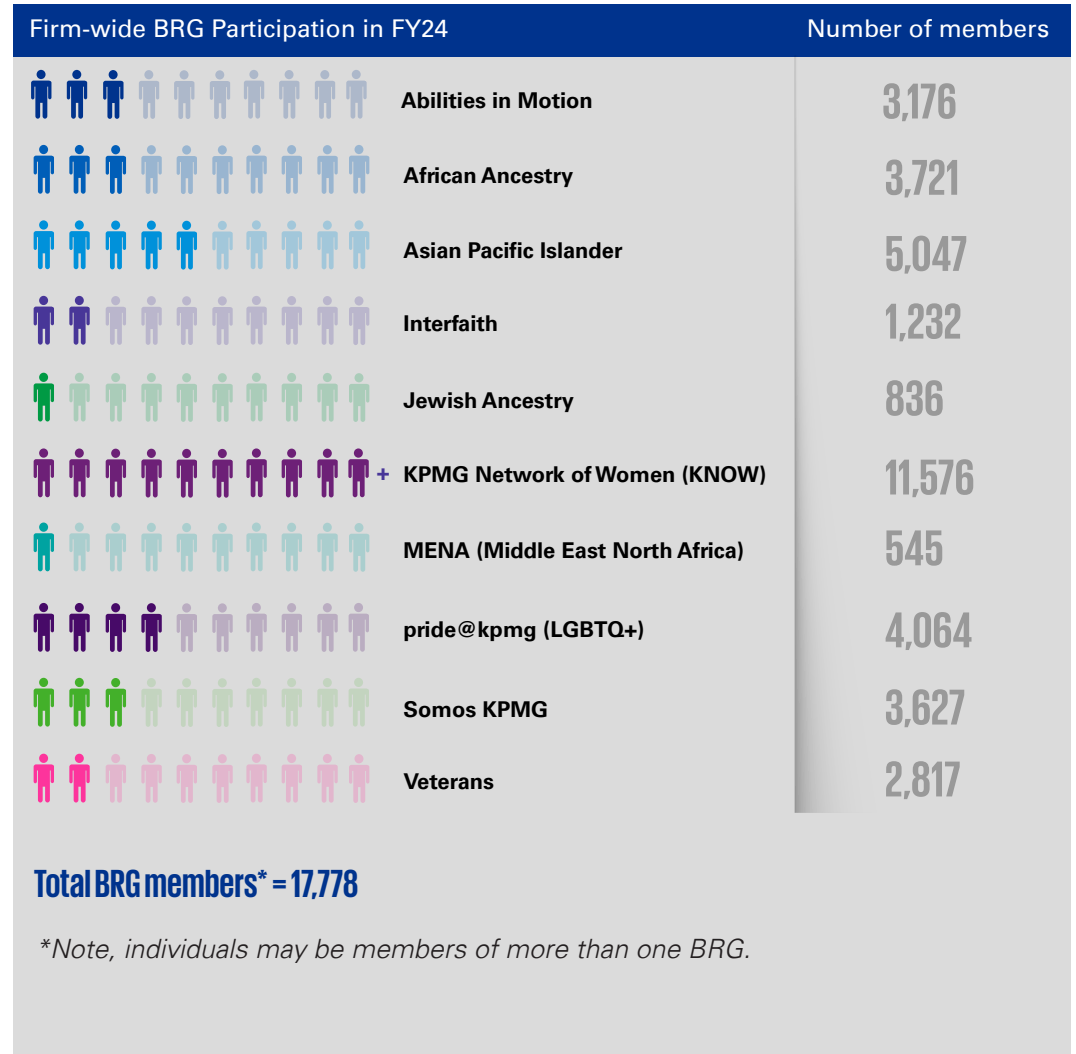


[Leading here](#)

This year, we were proud to welcome 32 new audit partners and promote more than 110 people to managing director.

Last year, we continued to add more people from all backgrounds as partners/managing directors with the percentage of partners and managing directors from underrepresented groups growing from 37% to 43%.

We are proud of our efforts, but are steadfast in continuing our work so that everyone can see themselves lead at KPMG. We continue to invest in our people to build leaders across our business, including at the national, service line, professional practice, markets, talent, and geographic levels. Today, more than 70 people hold these roles, nearly one-third of whom are women.



KPMG is the first Big 4 firm to publicly advocate for alternative pathways to CPA licensure

Why did we call for change?

This issue affects our economy and our capital markets. Corporations, governments, and accounting firms of all sizes need accountants to build trust in the financial data that drives corporate strategy, financial investments, and more.



What's the challenge?

The cost of becoming a CPA is too high, including both the expense of the extra education and the opportunity cost of spending an extra year in school.

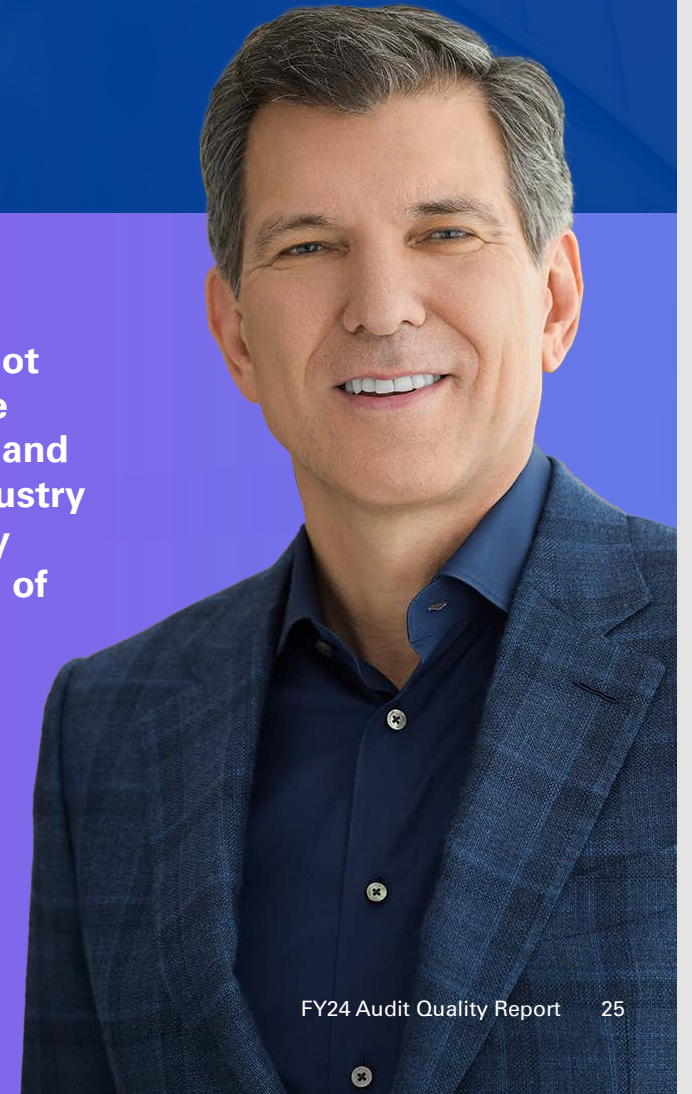
- Bachelor's degree completions in accounting dropped 7.8% from 2021 to 2022 after a steady decline of 1-3% per year since 2015 to 2016, per the AICPA Trends Report.
- The time and cost of the 150-hour requirement for CPA licensure is among the top reasons that students do not select accounting as a major, according to research from the [Center for Audit Quality](#). Additionally, [MIT](#) researchers found the 150-hour requirement poses a more pronounced challenge for Black and Hispanic students.



I can't over-emphasize, it's not just the Big 4. We need more accountants in corporations and outside of the Big 4. The industry that we are in is systemically important to the functioning of the capital markets.

Paul Knopp

KPMG US Chair and CEO





What's the path forward?

In October 2024, KPMG became the first Big 4 firm to publicly advocate for alternative pathways to CPA licensure that emphasize experience after one earns their bachelor's degree.

Today, people pursuing a CPA are required to complete 30 additional hours of academic credits after earning their bachelor's degree, work under the supervision of a CPA for one-year, and pass the CPA exams to be licensed.

Alternative paths would replace the additional 30-hour academic requirement with experience or create work-study programs overseen by businesses that deliver the equivalent or better value. These options would reduce the financial costs of achieving a CPA, while elevating the role of hands-on experience in securing one's license. As states move forward, we also believe automobility is essential and reforms should aim for simple over complex.



What's the role of technology?

Data and technology are fundamentally changing our profession. By having people start working with us earlier, we can accelerate talent development – providing more real-world, hands-on experience with the innovative data and technology capabilities that are increasingly driving the work we do every day. More experience with coaching by practitioners enables a far more prepared candidate for the CPA.



Will this solve the problem?

No! This reform is not a quick fix. Our profession must continue to drive progress. At KPMG, we are investing in our pipeline, enhancing the audit experience, and raising salaries. We've also expanded our benefits, lowering employee health care premiums by 10% in 2022, with no change in the benefit levels, and replaced our previous KPMG 401(k) match and pension programs with a single, automatic firm-funded contribution within the 401(k)-plan equal to 6–8% of eligible W-2 pay.

Learn more [here](#) and review our comment letter on the AICPA/NASBA Alternative Pathway proposal [here](#).

Read Paul Knopp's commentary in the Wall Street Journal [here](#).



There is a consensus for change, but we can't waste time. Many state CPA societies are working on legislation to create an alternative path to licensure. State boards of accountancy should replace the extra academic requirement with more on-the-job experience. A person who is licensed in one state should be able to practice in another even if reforms create different licensing requirements.

Yet reforms alone won't solve the workforce shortage...our profession must ensure that the next generation considers accounting a rewarding career.

Paul Knopp

KPMG US Chair and CEO

Audit firms must continually adapt to protect the capital markets. In addition to advancing our audit transformation, bringing more AI into the audit, and developing talented professionals, we are also highly focused on:

- **Emerging trends from increased private capital flows** that will drive more start-up activity, private company investment and growth, and IPOs.
- **Engaging companies on AI governance and assurance** to help them enhance trust with all their stakeholders.
- **Enhancing trust in sustainability information required by a complex web of sustainability reporting regulations**, while continuing to consider the patchwork of global requirements, including CSRD, California, and the ISSB.

■ Private company opportunities and risks

According to a recent KPMG report—[Disruption Decoded: Perspectives on growth, AI, and reporting from private and newly public companies](#)—nearly 90% of leaders across US-based private companies and those who recently went public show strong optimism about their future growth prospects. Leaders report AI is the top growth enabler with its relevance to company strategy expected to grow substantially over time. Over half (55%) see AI as relevant in the near-term, while three-fourths see AI as relevant in the medium-term.

At KPMG, we expect private company growth will shape our economy in the years to come. We are deploying our KPMG Clara methodology, which is aligned to the AICPA standards and fit-for-purpose for private company audits. Along with a tech-enabled service delivery model, KPMG Private delivers private companies a better audit experience.

■ Engaging companies on AI governance and assurance

Over the past 20 years, technology risks have increasingly been addressed within financial reporting. Even among private and newly public companies, our research finds that 66% of leaders in those companies rank cybersecurity risk as the most relevant area of reporting or disclosures across sectors, followed by ethical use of AI (61%).

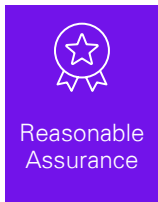
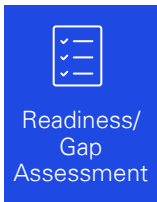
Today, companies are facing new risks and challenges as they look to embed AI into their business, shifting from developing use cases to reimagining business models, the customer experience, and building new revenue streams. Meanwhile, the pressure is heating up to demonstrate GenAI's value.

Leaders must create a strategic GenAI roadmap to build trust, measure outcomes, and show impact to their customers, suppliers, business partners, people, boards, shareholders, and more. Trust is the most precious currency in business. An organization's trust when using AI will directly impact the value it generates.

At KPMG, our Tech Assurance team embodies the power of our multi-disciplinary model and drives our ability to support companies on their Trusted AI journey. In FY24, nearly 1,100 partners and other professionals led this work.

Our comprehensive range of services is designed to assist in assessing responsible AI practices and enabling compliance with pending regulations. By leveraging these services, KPMG helps organizations evaluate whether their AI systems are safe, effective, and compliant, thereby fostering public trust and supporting the responsible development and deployment of AI technologies.

Our Tech Assurance professionals are fully integrated in our audit quality journey, delivering the companies we audit a better experience. We continue to invest in learning and development through our technical trainings and ERP Academy. This year, over 300 professionals completed the ERP Academy program, bringing the total since 2018 up to nearly 1,000. This program has tripled in size since 2021 and now includes a variety of foundational and advanced courses related to SAP, Oracle, Workday, and NetSuite.



■ Enhancing trust in sustainability information required by a complex web of sustainability reporting regulations

Beginning in 2025, a US company with [large subsidiaries in the EU](#) and [Australia](#), and [doing business in California](#), will have three different requirements—with varying reporting dates, forms of reporting, scope of required disclosures, and paths to limited and then reasonable assurance.

Many companies are focused on compliance with the EU's Corporate Sustainability Reporting Directive (CSRD). However, the transposition of the CSRD into local law for many EU member states is not final as of December 2024, resulting in significant uncertainty about how regulators will oversee this reporting required in early 2025.

Despite the constant evolution of the regulatory environment, it is critical for companies to focus on interpreting and implementing the standards that are final.



To stay on top of new developments and trends, subscribe to our [KPMG Sustainability alerts](#) and [Financial Reporting View](#) newsletter. You will receive our latest insights, invites to webinars, and more.

Getting started with a materiality assessment, developing a greenhouse gas emissions (GHG) inventory, and going through an assurance readiness engagement are 'no regrets' moves that help companies stay ahead of the curve.

As an audit firm with a long-standing reputation for bringing trust in reporting, we are well-positioned to provide assurance that meets the expectations of end-users of sustainability reporting. We are focused on the connectivity of sustainability information to financial statements. Moreover, by leveraging our multidisciplinary model, we are helping companies navigate their reporting journey, delivering value beyond compliance by focusing on a practical approach to sustainability reporting.

This year, we integrated our global methodology for assuring sustainability reporting, including GHG emissions in KPMG Clara, our global smart audit platform. This development allows for seamless collaboration by globally integrated audit teams.

We continue to upskill our professionals on sustainability with nearly 50,000 learning and development hours dedicated to sustainability in FY24. This effort is driven by our own learning and development efforts, as well as through collaboration with NYU Stern School of Business Executive Education.

Conclusion

In 2024, we've continued to make transformative, multi-year investments to enhance audit quality, delivering a better audit experience for investors, audit committees, companies, our people, and more.

Please continue checking our Audit Quality Report dashboard for data and blog updates, follow us on [LinkedIn](#), and [read](#) and [subscribe](#) to our Financial Reporting View (FRV) newsletter for future updates on all of these topics.

Learn about us:



[kpmg.com](https://www.kpmg.com)

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