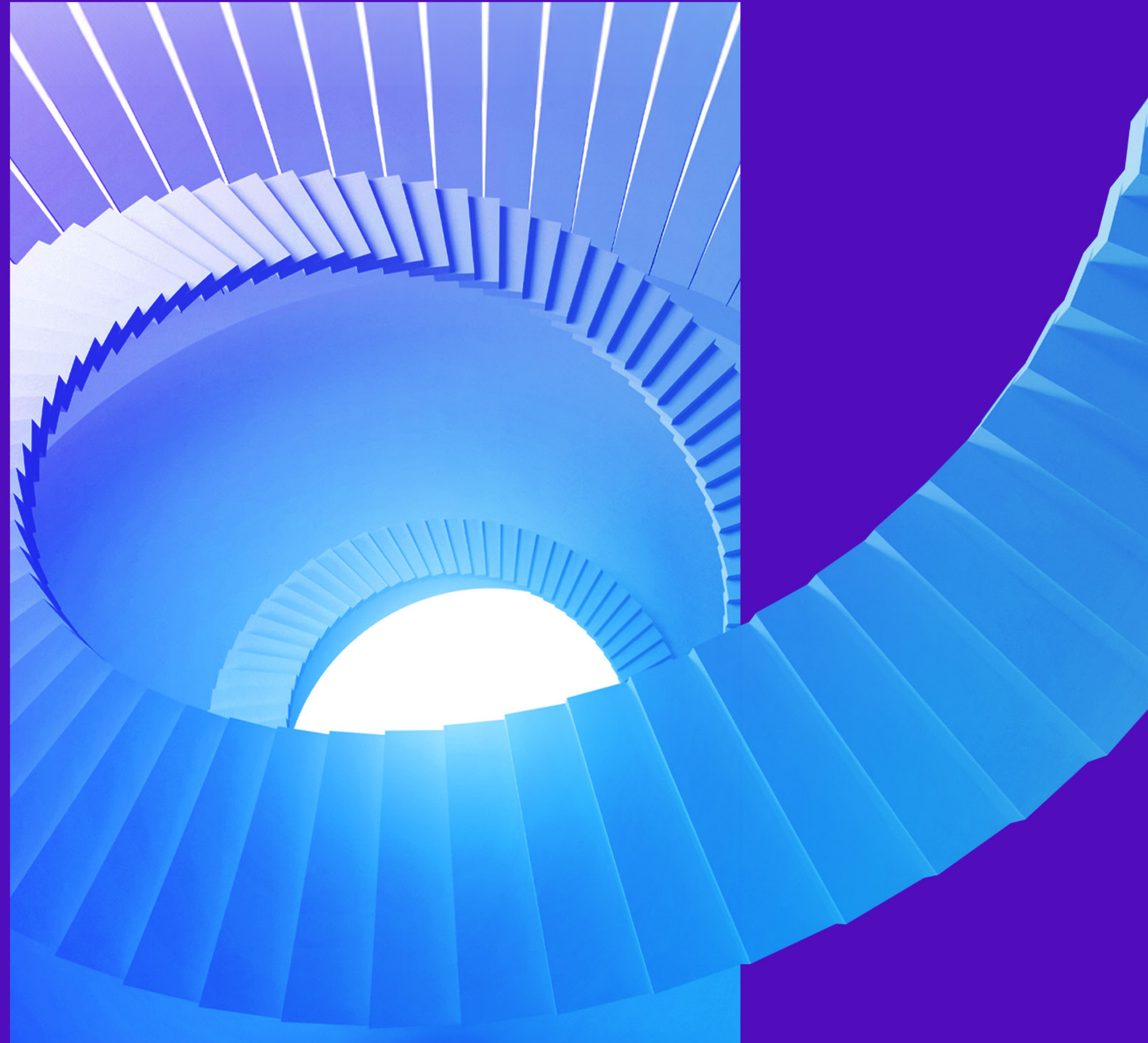




How to elevate finance value through Generative AI

Strategies to get more value from your
finance transformation



Introduction

Generative AI (Gen AI) is currently causing a buzz across the financial management community. While artificial intelligence and machine learning have been successfully applied to specific problems for some time, the ability of Gen AI to generate new content and its accessible user interface makes it hugely relevant to a broad spectrum of Federal agencies and Military services as well as to their finance functions. AI might not be new, but it is moving very fast, and financial managers need to think differently and quickly understand how to leverage it.

A marriage of Gen AI capabilities and finance can create better speed and efficiency by eliminating redundant or manual activities, allowing finance professionals to focus on higher value tasks. But like its predecessors, Gen AI is only as good as the underlying data and well-engineered prompts and will only be effective when it is embedded in the right way within the finance function.

With only
57%

of respondents from the KPMG 2023 Global Technology Survey believing that Generative AI will be integral in helping their business achieve its short-term ambitions over the next 1-3 years, there are still a large number who are hesitant to adopt Gen AI, largely due to a lack of understanding around potential benefits, secure implementations, and more.



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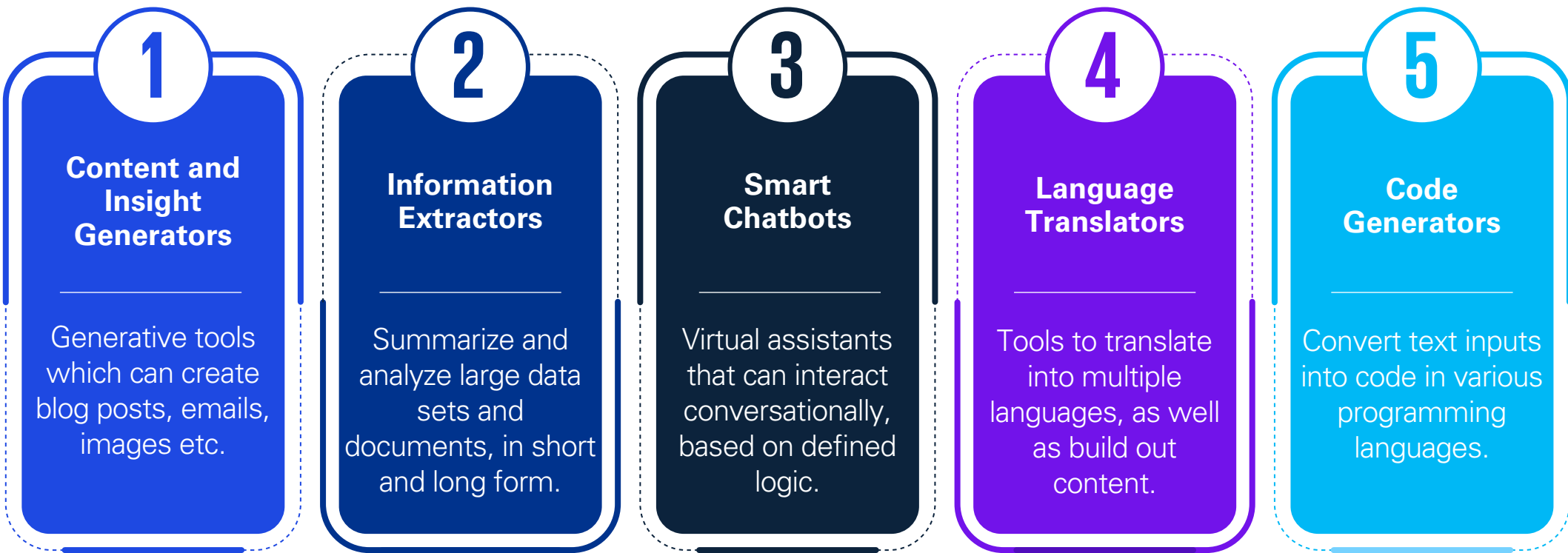
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Intro to Generative AI in Finance

KPMG professionals believe that financial managers are well positioned to lead the way with Gen AI. Finance already has a key role in driving the execution of organizational strategy, creating and protecting value, shaping an effective enterprise architecture, and are often tasked with data stewardship. In addition, finance functions are ripe with potential opportunities to disrupt themselves and harness the power of Gen AI across five broad enabler categories:



These enabler categories could apply to the finance function as follows:

Type 1 Content and Insight Generators—could be used to reduce time and effort needed to create materials in areas such as:

- Generating financial and management reporting and commentary to support compliance with OMB Circular A-136 and CFO Act requirements.
- Creating financial models to help with budgeting, forecasting and scenario analysis to support POM and PPBE requirements.
- Bringing data into templates and models to generate trends, risks, and opportunities.

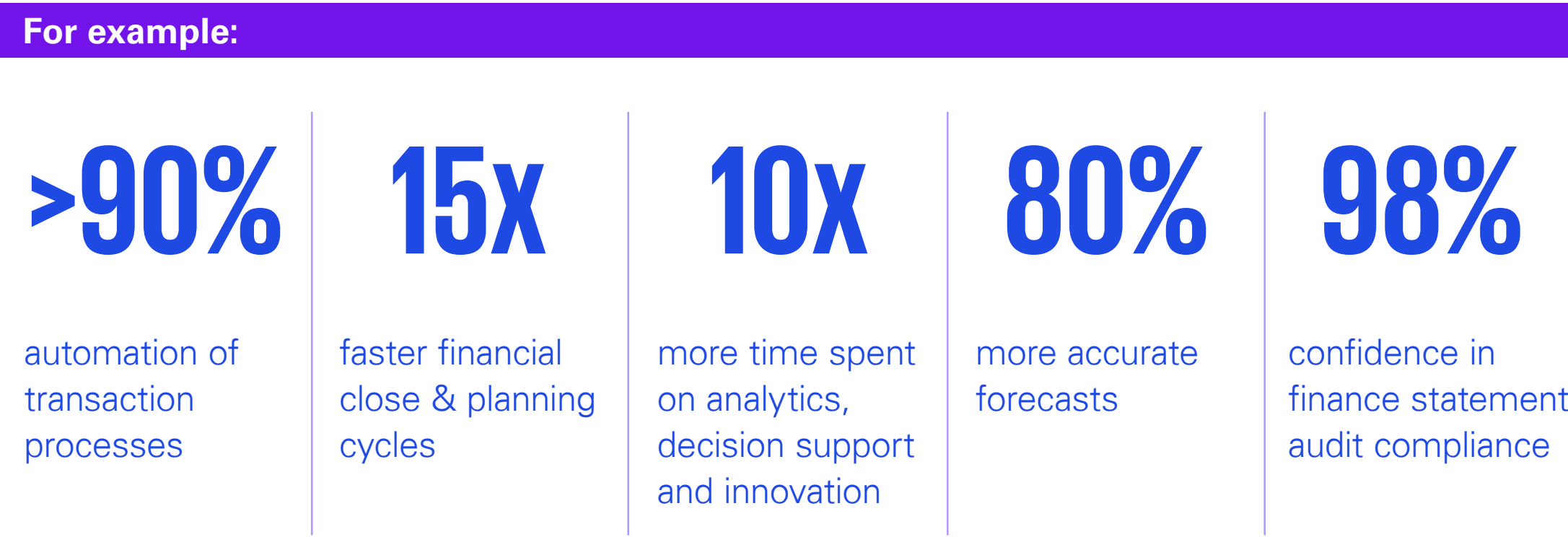
Type 2 Information Extractors—Gen AI can be a powerful research tool, able to find and synthesize data and publicly available material to generate insights.

Type 3 Smart Chatbots—could be used to field incoming inquiries to finance, especially as a first line of support. This can significantly reduce low value work by finance staff and improve quality and response times for frequently asked questions.

Type 4 Language Translators—could help with report generation for multilingual enterprises operating or reporting in foreign jurisdictions, especially where lots of unstructured data is being reported from many sources (e.g., sustainability reporting).

Type 5 Code Generators—could be used to generate **low-code** finance apps, removing the need for finance professionals to perform coding, e.g., helping users to access self-serve data, analyze it and build better story presentation.

By unlocking the power of digital, AI has the potential to deliver significant value to the finance function.



Source: Extrapolation of KPMG Commercial Surveys and cross-industry assessment of the impact of AI use cases in Finance.



Let us look at how combining information extractors can deliver a powerful Gen AI use case for finance.

Real world example: insights and story telling

KPMG professionals have learned from work around the **Future of Finance** that leading Federal agencies and Military services are investing heavily in effective business partnering, focusing on competencies such as impactful storytelling, empathy, and leadership. The ability to tell a story behind the insights is more important than ever.

Impactful storytellers:

- Translate and interpret data, framing the narrative for external and internal stakeholders
- Offer a deep understanding of the business and external conditions
- Become part of the story as respected influencers with a seat at the decision-making table

KPMG has leveraged Generative AI technology to facilitate interactive and intelligent data visualization, enabling users to gain insights not only through charts and graphs, but also with an accompanying narrative commentary. This allows finance users to query their data more easily and rapidly deliver insightful commentary that can be tailored to specific audiences. It offers the following benefits:

- Instantly visualizes the data and generates text that describes it, saving precious time at financial reporting period close.
- Makes it easier to make sense of thousands of lines of data, such as multiple trial balances coming from different systems, Chart of Accounts, geographies, timeframes.
- Can get 'smarter' over time, learning from past historical patterns and commentaries.
- Can deal with continuously expanding data sets (e.g., plug-ins to connect it to external sources to monitor macro trends, commodity pricing, etc.).



Real-time Data Updates

As the underlying dataset changes or gets updated, the visualizations automatically reflect these changes ensuring users always work with the most accurate and up-to-date insights.



Dynamic Content Customization

By asking follow-up questions or refining their queries, users can fine-tune the visualization in real-time. This dynamic content customization grants users complete control over their data representations, ensuring that they efficiently analyze, present and share the most relevant insights with others.



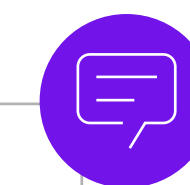
Versatility and Accessibility

Wide ranging data formats and sources are supported, making it versatile and applicable to various industries. Additionally, its ease of use and accessibility enables users of all levels of technical expertise to effectively harness the power of this tool.

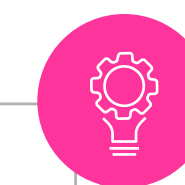
This can help CFOs:



Deliver faster and more insightful analysis across the organization



Enable tailored commentary and rapid fire 'answers' to stakeholder questions



Forecast through text to reasoning to help financial managers 'predict' the results



Help identify risks and potential new strategies for tackling recurring problems.



Cross-functional Gen AI

The power of Gen AI is magnified when it can be used across functions to break down silos within Federal agencies and Military services, achieving scalable AI solutions across the enterprise and unlocking cost savings.

For example, the financial reporting process can be challenging for the Federal government, even those using a cloud ERP system. Leaders often struggle to get timely and insightful information that better supports budget and resource decisions. They face issues such as inefficient processes, limited access to real-time data, and workforce burnout, all of which can hinder decision-making.

KPMG analysis reveals that only the top 25% of organizations are producing consolidated reports within five working days. That means that 75% of organizations take longer to generate their financial reporting period close results, leaving executives struggling to make key decisions with static information rather than real-time data at their fingertips.

Generative AI can be a valuable tool in the financial reporting period close process to break down functional siloes and improve efficiency and collaboration among various teams within an organization.

- **Data Integration:** It can help integrate data from various sources, such as financial systems, procurement records, operational systems and inventory databases. It can automatically

consolidate and harmonize data, reducing manual entry and errors.

- **Automated Reporting:** It can generate reports, summaries and dashboards to ensure data is readily available to all the relevant teams without the need for back and forth communication and delays.
- **Predictive Analytics:** It can provide insights into future financial trends, helping teams anticipate issues and facilitate cross-functional discussions proactively.
- **Workflow Automation:** It can streamline the quarterly process by assigning tasks, tracking progress and sending notifications to relevant teams, promoting collaboration and synchronization.

Overall, Gen AI can help speed the close process by streamlining and automating close activities, allowing finance professionals to focus their energy on insights and decision making. It allows organizations to increase their chances of getting it right first time.



Risks and challenges

Internal risks and considerations



External risks and considerations



Ethical risks and considerations



Financial Managers navigating the growth of Gen AI must consider the multitude of risks, including data protection, false or biased decisions, compliance with regulations, upskilling, intellectual property, and environmental sustainability.

Mitigating these risks requires a strong Gen AI Strategy, operating model, and governance structure. Effective risk management is crucial for organizations to prioritize in order to mitigate these risks. Organizations' leaders will need to answer key questions such as:

How do we ensure sensitive or confidential data is protected?

How do we prevent decisions from being made based on false or biased data?

What is the best way to make sure the Gen AI technology complies with the rapidly growing regulations around it?

How do we upskill people to shift their activities away from those being replaced by GenAI and into the right value-adding activities?

How do we prevent issues surrounding intellectual property?

How do we ensure the widespread use of GenAI is handled in an environmentally sustainable way?



Aligning Gen AI with your finance transformation: a strategy for success

Implementing 'point-AI' solutions here and there across the finance function is unlikely to deliver significant long-term benefits. In fact, it could create a legacy problem for tomorrow. Instead Federal agencies and Military services should adopt a more strategic approach, in which Gen AI can align with, and enhance, your existing finance transformation initiatives and is embedded within your operating and technology model.

KPMG professionals can help determine how the AI strategy fits into the overall vision. It can help extend your functional transformation to be AI-driven by identifying the most impactful AI priorities for your enterprise within your finance processes, then developing digital solutions around those priorities.

Our strategy for Gen AI within finance starts with the model answer, enabled by leading practice and pre-configured on leading SaaS platforms. The existing vision should embed Gen AI throughout your finance transformation. Benefits could include:

- Surety around the connection between intelligent automation and the finance processes
- The comfort of knowing that your finance data model effectively supports your business and information needs
- An effective finance organizational structure with the right roles
- Capabilities, and digital fluency to support your transformed function with more confidence that your business is operating within the governance structures you have in place for the finance function

“The number of businesses with leadership buy-in for emerging tech has more than tripled, from **10 percent to 38 percent**”

Source: KPMG 2023 Tech Survey

Media have amplified how use of Gen AI can have serious reputational risk for brands when it's not implemented correctly, so it's essential to properly plan and test before deploying and to fully understand the ethical, cyber, IP and other considerations. KPMG's approach can help reduce risk by allowing you to adopt KPMG best practice for Gen AI in finance. And through the KPMG TOM the AI capabilities are already designed into the solution with the impacts considered across all six layers of the TOM.

Governance

Adapting to reflect emerging Gen AI related governance structures, e.g. Responsible AI principals

Performance insights and data

Adapting the data architecture to enable Gen AI centric data intelligence to allow for more compelling storytelling

Technology

Extending the technical architecture to include Gen AI tools and technologies. Highlighting new AI capabilities that are created by finance cloud platforms, including impact on the existing technical footprint

Functional process

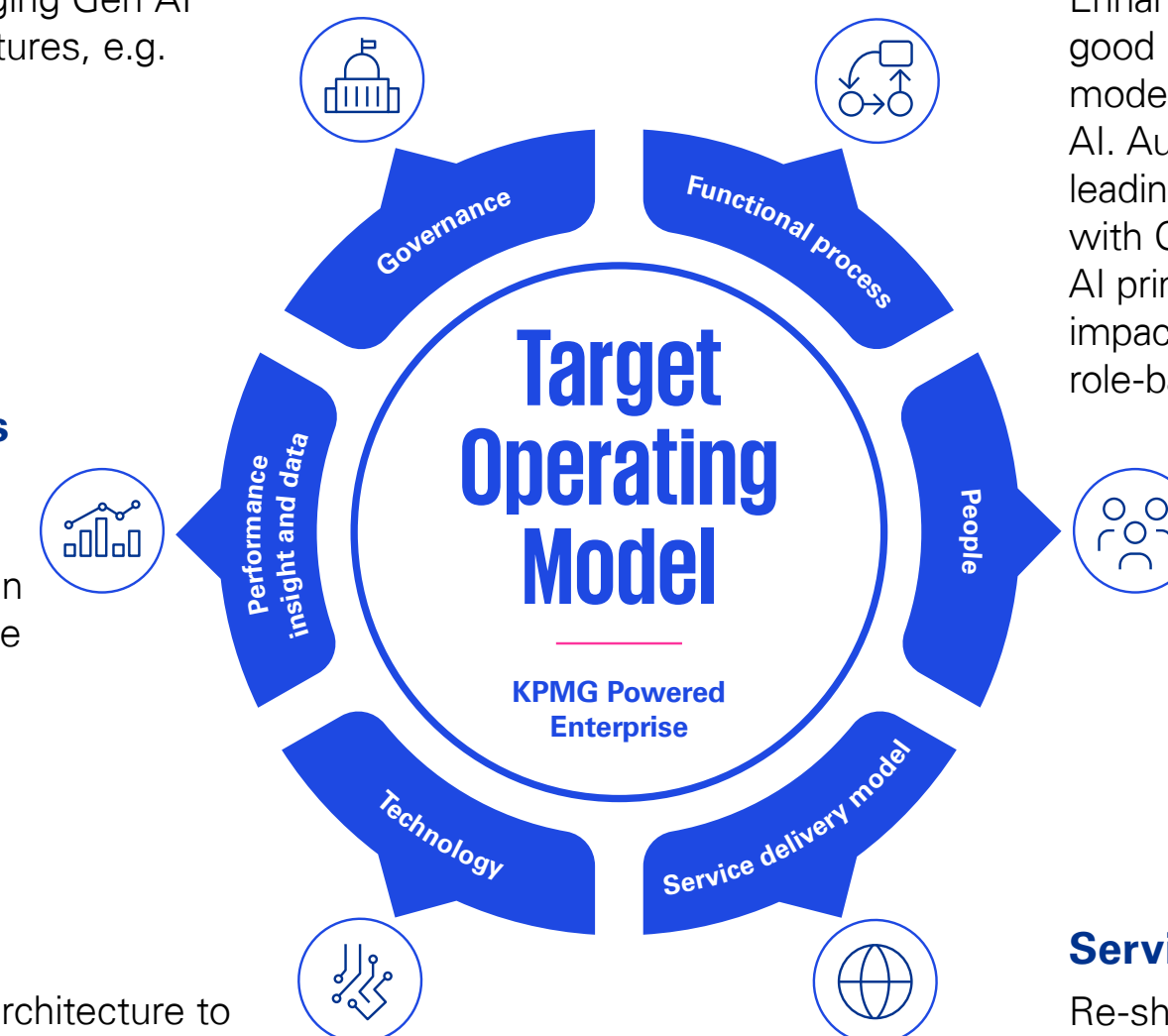
Enhancing the point of view of 'what good looks like' deep into the maturity model to reflect the impact of Gen AI. Augmenting the vast selection of leading practices to bring them to life with Gen AI and reflect Responsible AI principals. Reflecting the highest impact uses of Gen AI throughout the role-based process flows

People

Highlighting new labor roles used throughout the finance organization as well as the capabilities needed to support thier use

Service delivery model

Re-shaping to account for service delivery through automation and reflect potential impact of digital labor on shared service centers and centers of excellence





By the nature of it, a program of Gen AI implementation is heavily data-ready centric. To get the best results requires focus on the Performance Insights & Data Layer of the Target Operating Model. For most organizations, there's much to do around data to be able to exploit it to the full. Therefore, it is important to work with partners that have the right combination of data skills, together with the experience of how to maximize the capability of data within an AI enabled finance function:



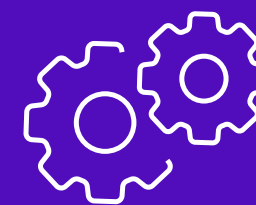
Data Strategy:

Robust framework to capture the use cases, model inventory, model limitations and any net new risks will enable firms to more closely align the ambitions with the use of these technologies to demonstrate value whilst complying with relevant regulations and legislations including ethical considerations.



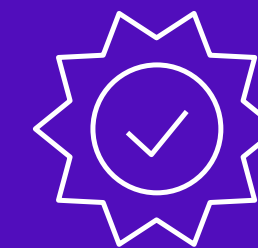
Data Management, Governance & Lineage:

Clear data accountability including well defined roles and responsibilities in sourcing, processing and distributing the data. Track Data Lineage and Data Catalogue to enable better discoverability and improve on understanding of the data to ensure its used for the right purpose here.



Data Architecture:

Having a highly interoperable and seamless integration between the various platforms in your eco-system will reduce data friction and enable quicker access to the data needed.



Data Quality:

Clearly defined single sources of data truth will ensure there is a baseline of 'clean' and reliable data to use. Large quantities of good quality data is needed to effectively 'train' your AI-based model/machine to automate processes and produce desired outputs such as security classifications, trend analysis and prediction generation.



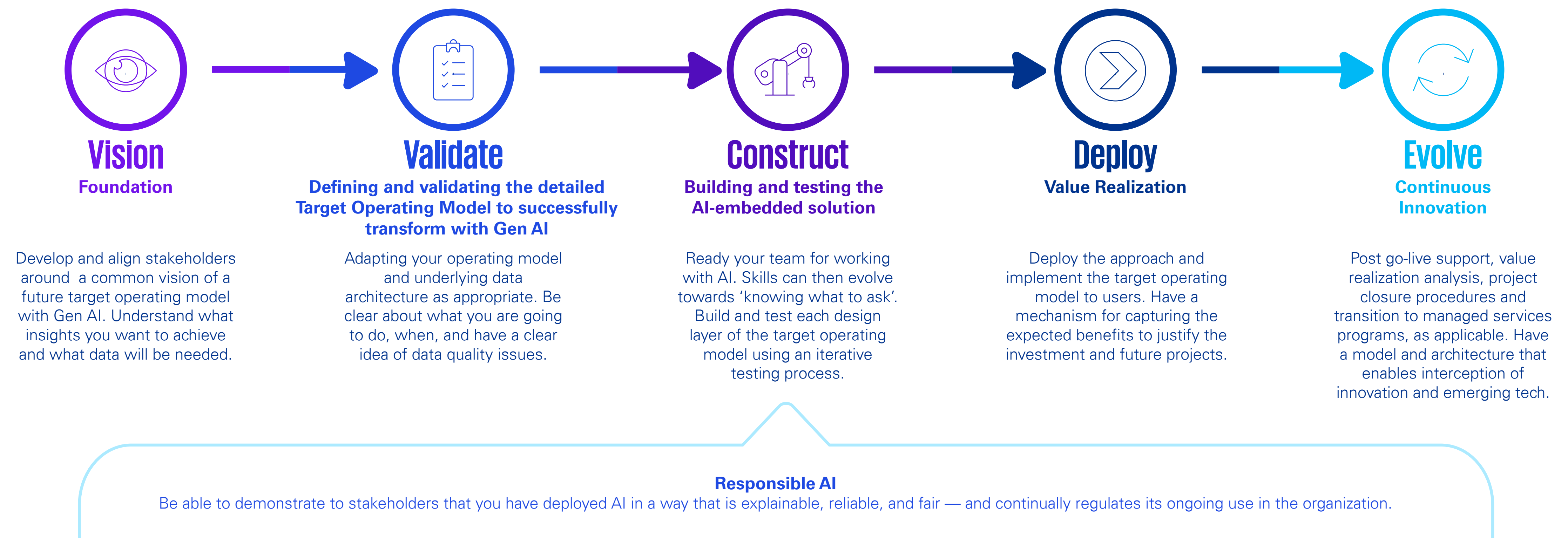
Data Enablement & Literacy:

Secure buy-in from senior stakeholders to be 'ambassadors' of the benefits of data and AI in order to drive adoption and embed a culture of good data practise and innovation. Build data literacy with user communities to democratize the power of good data and its ability to power technologies such as AI and ML.



The wider finance transformation picture

The KPMG Powered Enterprise transformation methodology adapts well to the world of Gen AI and the disciplines required to deliver it in finance. This is especially so around vision, data architecture, talent upskilling, value realization and intercepting emerging tech—as well as providing an effective framework for deploying (and maintaining) responsible AI.





How KPMG professionals can help

KPMG professionals can guide you through what is needed to enable responsible Gen AI and other leading practices across and beyond your finance function, including full finance transformation or optimizing your finance operating model.

For Federal agencies and Military services that have a modern ERP platform but have not yet invested in a modern target operating model for finance, KPMG professionals can guide you through an operating model-led finance transformation. This can help bring KPMG leading practices together with Gen AI enabled finance processes.

For those who haven't yet undergone a KPMG Powered Enterprise transformation, still running on legacy software, or early on in their transformation journey KPMG professionals can help you through a finance transformation with Powered Finance, enabled by Gen AI, on the leading finance cloud platforms such as Microsoft, Oracle, SAP, and Workday.

KPMG Powered Finance brings a collection of advanced tools, platforms and accelerators that help finance organizations to manage change, implement digital-first and keep improving. KPMG Powered Finance and the KPMG Target Operating Model for finance are designed to reflect that finance transformation should be a continuous process of evolution, while intercepting technologies that can be revolutionary.

For more information on how KPMG is using Generative AI to transform the firm's own processes, and our approach to transformation click the links below:

[Federal Finance Transformation](#)

[KPMG Powered Finance—KPMG](#)

[KPMG Target Operating Model—KPMG](#)

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