



FY25 Audit Quality Report

January 2026

Contents

Letter to stakeholders

The C-suite is operating in an environment of unprecedented change. Artificial intelligence (AI) is driving the most significant technological transformation of business in our lifetimes.

Our [2025 CEO Outlook](#) found that chief executive officers (CEOs) are focused on navigating short-term challenges related to tariffs and supply chain, while continuing to accelerate on their AI journeys. CEOs report that driving this transformation will have the greatest impact on their organization's prosperity.

In this context, sustaining audit quality with innovation is paramount to protecting the capital markets amidst disruption and such rapid transformation. At the same time, it's also important that we deliver a better audit experience for audit committees and management teams through a no-surprise and insightful audit as well as providing assurance capabilities that support an organization's AI journey.

We are proud of our audit quality track record. Last year, our 2024 PCAOB Inspections Report, covering 2023 audits, reported that we had the lowest Part 1.A deficiency rate since 2009.

This milestone followed several years of strong, consistent results amid challenges in the overall profession.

Moreover, we expect our next report to show continued reductions in our Part 1.A deficiency rate. We also continue to lead the Big Four in maintaining the lowest rate of material restatements over the past three years.

As detailed above, our commitment is not only to delivering quality audits, but also to a quality experience. Our audit quality leadership is rooted in a strong system of quality control and our profession-leading global smart audit platform, KPMG Clara AI.

This foundation strengthens our ability to drive innovation with artificial intelligence (AI). Today, our auditors are using generative AI (GenAI) and AI agents—built directly into KPMG Clara AI—to refine risk assessments, automate substantive procedures, and unearth audit insights for audit committees and management teams. We've also unveiled new AI-specific assurance services, building on our multidisciplinary suite of AI Trust services.

Importantly, our technology platform and service delivery model are distinctly capable of meeting organizations where they are, including large public companies as well as private companies, as well as pre-IPO and emerging growth companies and the financial services firms investing in them.

Bottom line: We are poised to lead the audit and assurance profession into the future, serving and protecting the capital markets amid AI transformation.

We encourage readers to follow us on [LinkedIn](#) and read and subscribe to our [Financial Reporting View](#) newsletter for ongoing insights into these topics. As always, we invite audit committees, boards, and management teams to connect with our engagement teams to continue this important dialogue.



Tim J. Walsh
KPMG US Chair
and CEO



Christian Peo
KPMG US Vice Chair,
Audit and Assurance

Defining audit quality

We define “audit quality” as the outcome when audits are executed consistently, in line with regulatory requirements and applicable professional standards, within a strong and responsive system of quality control. All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics, and integrity.

Our approach

Rapid transformative change. AI is quickly ushering in a new era of business, revolutionizing ways of working across finance, audit, and assurance, requiring leading platform technologies, modernized ways of working, and new solutions and capabilities to sustain trust and deliver value in the capital markets.



At KPMG, we are not responding to change; we are driving it forward.

KPMG Clara AI is our gamechanger.

KPMG Clara is underpinned by [KPMG Workbench](#), our foundational, single AI platform that will help us scale AI capabilities across the globe. Already, KPMG Clara is embedded with [GenAI](#) and AI agents, empowering our teams with profession-leading capabilities to enhance the audit experience. As Microsoft Chairman and CEO Satya Nadella [said](#), "Clara is such a great example of AI amplifying human capability and trust at scale."

Our audit approach delivers a no-surprise, insightful audit.

Our public and private audits effectively pull work forward, enhancing the quality of our analysis, coordination with our national office, supervision and review by team members, and, ultimately, a better audit experience. By effectively pulling work forward, we also facilitate preissuance reviews for 100 percent of audits of public companies that file a Form 10-K. Combined with KPMG Clara, this process unearths audit insights for audit committees and management teams earlier in the audit cycle—and frees up clients to focus on their business.

New AI Assurance services help organizations scale GenAI and AI agents ethically and responsibly.

These offerings build on our existing multidisciplinary suite of AI Trust services to help organizations comprehensively assess, develop, deploy, manage, and monitor AI systems. They build on our existing technology assurance capabilities, which continue to be enhanced with technologies to deliver an exceptional experience.



Our new headquarters at Two Manhattan West embodies our commitment to continuous improvement by building connection and facilitating innovation. Read more at [Fortune](#).

Our people and engagement teams are leading the profession into the future. Engagement teams are empowered decision-makers, supported by our national office and centralized services, properly balancing standardization with more tailored approaches to both drive efficiencies and address the unique risks of the companies we audit. Our teams emphasize communications with a focus on timeliness and transparency. Ultimately, all this work enhances the quality of our audits.

Our 2025 Audit Quality Report highlights our commitment to a better audit experience, our use of technology to transform the audit, our system of quality control, our investment in our people, and how all of these contribute to increased quality.

Our commitment: Delivering a better audit experience

Our focus on transformational change has delivered significant, continuous improvements in audit quality, while also empowering our auditors to provide a truly transformed audit experience.

What does a better audit experience look like? Hallmarks of a KPMG audit include:

- » **Empowered engagement teams.** KPMG engagement teams—equipped with deep industry experience—drive our audits. We bring the full power of our firm, along with our national office, to support our engagement teams throughout the audit process.
- » **Advanced technology.** KPMG Clara brings clarity to the audit, securely and seamlessly interacting with client data to help our teams deliver a focused and precise risk assessment, more automated testing of full data populations, and more real-time audit insights.
- » **A balance of standardization and specialized services.** We balance standardizing how we work with a more tailored approach.
- » **Real-time communications and transparency.** Our approach accelerates the audit to find risks earlier, minimizing surprises and reducing burdens on financial reporting, operations, and management teams.

Ultimately, this approach helps audit committees and management teams spend more of their time focusing on their business, armed with audit-related insights, and less on the audit process.

Following our best PCAOB deficiency rate in 15 years, we expect even better results

Our most recent Public Company Accounting Oversight Board (PCAOB) inspection report confirmed our lowest Part 1.A deficiency rate since 2009 with no restatements of audit opinions on the financial statements and/or reports on internal controls covering audits in 2023 and 2022.

We are proud to report that we expect this year's results to be even better.

These outcomes are a direct testament to our transformed service delivery model and the dedication of our people.

Big picture: We take a holistic view of audit quality, looking beyond any single metric to include our inspection results, restatement rates, use of technology, and the effectiveness of our supervision and review.

For example, we continue to lead the profession on rates of material restatement. Specifically, when looking at restatement rates across public company audits for the past three years, KPMG has the lowest rate of material restatement among global network firms.

When coupled with our use of technology (see [Section IV](#)) and our ability to pull work forward to resolve issues earlier in the audit cycle, enhance reviews, and deepen engagement on areas of highest risk (see [Section III](#)), we are in a strong position to sustain audit quality over the long term, minimizing the sharp changes in deficiency rates that have defined the broader profession in recent years.

We are also pleased that the market recognizes our quality track record. In calendar year 2024, we led the Big Four in [net wins for public audits](#) as well as IPO audits, according to Ideagen Audit Analytics.

PCAOB inspection results



Beyond our inspections results, we maintain the lowest rate of material restatement in the Big Four for the last three years.



Looking ahead

We're building on recent improvement in our PCAOB Part 1.A deficiency rate, achieving our lowest rate since 2009 last year.

We expect our 2025 report of 2024 audits will show further improvement.

Spotlight

More than a name change—KPMG Audit and Assurance is built to lead the profession into the future.

A message from KPMG Audit and Assurance Vice Chair Christian Peo

Audit discussions have traditionally focused on financial statement audits. Yet, trust in corporate reporting now depends on both financial and nonfinancial concepts like AI, sustainability, cybersecurity, information technology (IT) controls, and more. Today, when a company reports information to stakeholders, third-party assessors are increasingly relied upon to assure the accuracy of that reporting.

This dynamic demands companies need a different approach to building trust with stakeholders. To meet this demand, we brought KPMG Audit and Assurance to the market.

This is more than a name change. This new practice brings our Audit, Internal Audit and Controls, and Structured Finance services closer together to help companies confidently navigate the complexities of modern reporting requirements.

As risks and opportunities arise from the development and deployment of increasingly advanced technologies, KPMG Audit and Assurance will better protect the capital markets, building trust in financial reporting—and the systems that support financial reporting—for investors in both public and private companies.

Sustaining trust in the capital markets

Our audit quality track record is rooted in a continuous improvement mindset that drives multiyear investments in our capabilities, technologies, and system of quality control. To sustain trust in the capital markets, we continue to invest in initiatives focused on:

- 1. The growth of private companies**
- 2. The role of AI in financial reporting and business processes**
- 3. The evolving regulatory environment for sustainability reporting**
- 4. Continuing to bridge the auditor expectations gap on issues most relevant to the investor community.**

Bringing a simple, agile, and flexible approach to serving private companies

Private companies are rapidly growing, driving innovation that is shaping our economy across sectors. Private companies are inventing new ways to fight disease in life sciences and reimagining business processes with technology. They are building and deploying a financial ecosystem of digital assets, while reimagining how we power our economy with new energy sources and technologies. They are fulfilling evolving consumer expectations in retail and strengthening supply chains.

Their growth and investment are financed by private capital from a diverse and growing ecosystem that includes traditional institutional investors: asset managers, private equity firms, hedge funds, venture capital firms, sovereign wealth funds, family offices, and a growing ecosystem of retail investors.

As a firm, we recognize private companies and their investors demand tailored, technology-driven professional services that provide insight and value, including quality audits that deliver a high-touch experience. That's the benefit of KPMG Private, our multidisciplinary offering of innovative services.

A KPMG Private audit is defined by a simple, agile, and flexible approach designed to achieve quality and efficiency. Our engagement teams leverage AI-infused technology and a private company delivery center, grounded in a methodology that is tailored to private companies and their industry.

More broadly, KPMG Private can continue to bring innovative services to support private companies, their founders, and investors at every stage of business.

Empowering organizations with a trusted approach to AI and technology assurance

AI is transforming industries, offering unprecedented opportunities for efficiency, innovation, and value creation. It also creates new complexities and risks. As AI becomes more integral to business processes and decision-making, there is a growing demand for assurance from investors and other stakeholders. Organizations build trust when their AI models and the way in which they are integrated into business processes across their enterprise are reliable, secure, and compliant with regulatory standards.

In fact, according to the [KPMG AI Quarterly Pulse survey](#), while AI agent deployment has nearly quadrupled since two quarters ago (from 11 percent to 42 percent), organizations are increasingly concerned (78 percent) about risk considerations around data privacy and cybersecurity as they scale out and deploy GenAI and agents.

This year, we announced [new AI Assurance services](#) that build on [KPMG AI Trust](#), our multidisciplinary suite of services designed to help clients enhance AI reliability, accountability, and transparency as they scale AI applications.

"Private companies face unique challenges and elevated expectations from stakeholders, demanding speed, agility and trust. Our audit approach brings boards and management teams technology-driven efficiencies and deeper insights specific to a company's industry, organization, and opportunities."

—Tarek Ebeid, KPMG Private Audit and Assurance Leader



Our offerings go beyond functionality to monitor agent behavior, supporting them to operate within established guardrails while mitigating new compounded risks such as security vulnerabilities, customer privacy, accuracy of AI outputs, and more.

Our services include:

- **AI model risk assessments, control testing, and quantitative assessments:** These services evaluate models through structured risk assessments and design/control effectiveness reviews, as well as hands-on testing of AI systems using statistical and performance-based methods.
- **AI model validation:** This tests models for accuracy, assumptions, and regulatory compliance.
- **Real-time systems assessments:** These evaluate AI-related updates and system implementations for changes that impact financial reporting controls, supporting audit compliance and clear oversight.
- **AI assurance and attestation:** This work provides formal, independent assurance over AI and its integration into business processes against defined standards or frameworks, including SOC, FedRamp, SWIFT, HiTrust, and more.

These new assurance offerings are not just stand alone services—they complement our technology assurance approach within the financial audit, enhancing the quality of financial reporting to protect the capital markets.

Spotlight

Key advancements in technology assurance:

Our IT audit transformation mirrors that of our broader financial statement audit. We focus on delivering a technology-enabled audit, pulling work forward through standardization and automation while tailoring our audit to the unique dynamics of a company's enterprise resource planning (ERP) systems and overall technology environment.

Notable features of a better audit experience with technology assurance include:

- **Our ERP Control Suite Dashboard** automates the extraction, transformation, and analysis of company data, visualizing insights related to a company's control environment. This capability is used across large public, private, middle market, and emerging growth companies, and reduces the burden on management teams while showcasing actionable insights. This technology is paired with additional automation (e.g., bots and AI agents) tailored to ERPs, allowing us to automate more testing and, in turn, deliver more consistently and efficiently.
- **Our Audit Technology Academy** continues to upskill our people and has expanded its learning and development curriculum for various technology platforms. A great example is increasing the ERP pathway from four to six major ERPs, including SAP, Oracle, Workday, NetSuite, Dynamics, and Salesforce. We continue to expand participation among our people, including personnel from international member firms and our Global Delivery Center.
- **Our engagement teams are supported by national ERP teams and technology** subject matter professionals. These professionals have deep experience, benefiting from working on major ERP transformations, upgrades, or implementations.
- **Lastly, we continue to use simulated company technology environments** (e.g., ERP sandboxes) to innovate, especially in the context of AI. We can simulate client configuration, processes, and controls to test ERP specifics and AI features like SAP's Joule. This enables us to develop new approaches to assess emerging risks and perform advanced audit procedures.

Our technology assurance capabilities are embedded in our Audit and Assurance practice to drive innovation and collaboration, helping to enhance the quality of financial audits.

Helping organizations evolve their sustainability efforts amidst regulatory change

Companies—especially large multinational companies—are facing a complex and fragmented regulatory environment when it comes to sustainability reporting. European Union and California regulatory requirements continue to evolve, complicating companies' ability to maintain compliance efficiently and effectively. And nearly 40 jurisdictions, accounting for almost 60 percent of global GDP, are adopting or otherwise using the ISSB Standards to mandate a form of sustainability reporting. Meanwhile, organizations continue to seek opportunities to reduce financial risks and create new value amid energy transition and decarbonization efforts.

At KPMG, our total firm sustainability capabilities are focused on meeting the needs of the market in two distinct ways:

- 1 Our regulatory-driven transformation efforts support the integration of nonfinancial information with financial information to meet compliance requirements and enhance decision-making, especially in the context of supply chain disruption and climate reporting mandates.
- 2 Our value-driven transformation efforts bring capabilities from across our firm to help companies focus on identifying and addressing material financial risks and opportunities due to a changing physical, regulatory, and geopolitical environment.

KPMG sustainability assurance services include limited or reasonable assurance of greenhouse gas emissions, green/social bond use of proceeds, voluntary sustainability reports, and management-developed key performance indicators. These services are tech-enabled. Last year, we integrated our global methodology for assuring sustainability reporting (including greenhouse gas emissions) with KPMG Clara, driving collaboration by globally integrated audit and assurance teams for a seamless experience.



At KPMG Lakehouse, we bring our partners and professionals together to learn, connect, and innovate every year.

Engaging the financial reporting ecosystem to bridge the auditor expectations gap

Audit firms must engage the full financial reporting ecosystem to narrow the expectations gap between auditors and stakeholders and to 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:

- **Working with professional bodies**, such as the Center for Audit Quality, Financial Executive Institute (FEI), the American Institute of Certified Public Accountants (AICPA), and the Chartered Institute of Management Accountants (CIMA), to engage on key issues defining the profession
- **Convening stakeholders on key issues** across hundreds of national and local events and gatherings, including our annual Accounting and Financial Reporting Symposium, Audit Committee Leadership Forum, Board Leadership Conference, and more
- **Issuing timely and relevant thought leadership**, demonstrating our commitment to expanding awareness and understanding of complex audit and financial reporting topics.

Our system of quality control

Our commitment to audit quality is grounded in a system designed to adapt and respond as our firm and engagements evolve. Our system of quality control reinforces our role in protecting investors by driving a responsive, iterative process that supports the consistent delivery of informative, accurate, and independent audit reports.

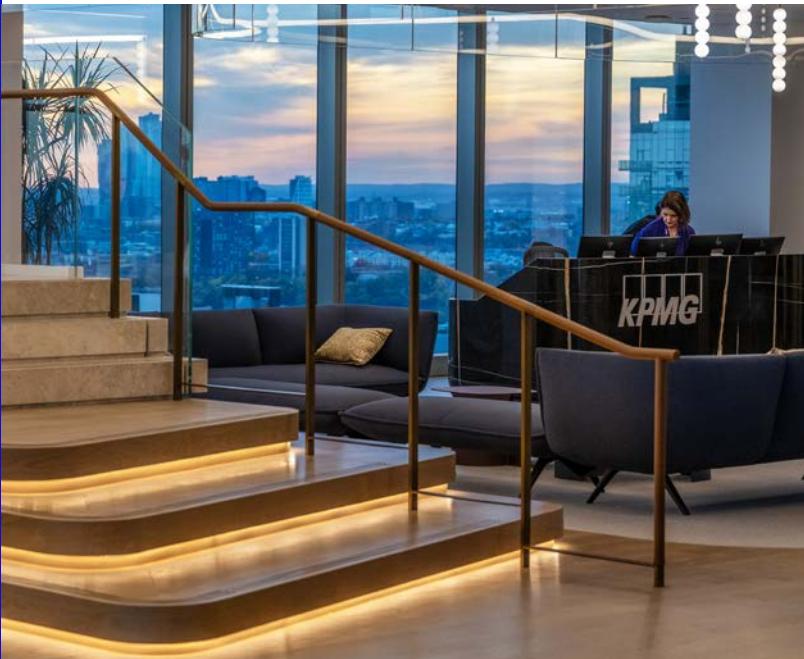
With our transformed service delivery model, focused on pulling work forward and standardizing, centralizing, and automating the audit process, our audit engagement teams focus on the areas of highest risk.

This strategy has not only sustained audit quality but also continued to significantly enhance it.



By standardizing, centralizing, and automating our core processes and pulling work forward, we create a highly consistent foundation that is the driver behind our mindset of continuous improvement, giving our teams the capacity to innovate while maintaining a laser focus on audit quality. This also allows us to apply a consistent standard of excellence, mitigate risk with greater precision, and ensure our quality not only meets today's inspection standards but is built to adapt to tomorrow's challenges.

—Jason Rash, KPMG US National Managing Partner, Audit Quality and Professional Practice



Our audit engagement teams are supported by deep, collaborative engagement with the approximately 200 partners and managing directors in our Department of Professional Practice, or national office. They work with our audit engagement teams to effectively communicate audit insights as well as industry, regulatory, accounting, and financial reporting developments relevant to audit committees and management. We also have 14 partners in our Regulatory and Quality Monitoring Group who oversee and perform internal inspections and coordinate external inspection procedures at the firm and engagement level.

Our Engagement Quality Control Review (EQCR) team consists of approximately 200 SEC reviewing partners (SECRPs) and 280 assistants who are a critical component of our system of quality control, providing independent, objective reviews of significant judgments and conclusions for our public company audits. These EQCR teams predominantly reside in our operating offices across the country, working closely with teams throughout the audit process to support audit quality.



Delivering an exceptional audit experience

We continue to pull audit work forward across our public and private audits, transforming the traditional busy season for management of the entities we audit and our people. This approach enables our teams to focus more of their time and critical thinking on the areas of highest risk. This effort is governed by rigorous monitoring and coaching and is supported by preissuance reviews for 100 percent of audits of public companies that file a Form 10-K, enabling us to continue leading in our unwavering commitment to quality:

- 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. These metrics evaluate whether audits are progressing in ways that support quality and cover project management, engagement execution, and supervision and review.
- Pulling work forward:** Our strategy of accelerating audit work is a cornerstone of how we deliver a better experience for the public and private entities we audit. We expect engagement teams to complete 40 percent of all audit work and documentation by mid-October and 60 percent of audit work and documentation before January 1 for calendar year-end public integrated audits. We've expanded this effort to many of our private company audits in recent years, pulling significantly more work forward earlier in the cycle. By setting clear milestones to pull work forward across our entire portfolio, we reduce the burden of the traditional busy season and enable our teams to focus on the areas of greatest risk earlier in the audit cycle.
- Expanded preissuance reviews:** The capacity created by pulling work forward enables us to conduct preissuance reviews for 100 percent of audits of public companies that file a Form 10-K, covering critical facets of the audit from risk assessment and materiality to substantive testing and disclosures. This effort is led by our EQCR and Regulatory and Quality Monitoring Group.

EQCR concurring approval is required before any audit opinion is issued, serving as a powerful safeguard to enable the highest standard of quality. Moreover, our EQCR teaming in the context of our concerted efforts to pull more work forward supports reviews of more areas of the audit and the development of EQCR assistants. This strengthens our overall SECPR program and our long-term ability to enhance audit quality.

Who we are:

National office:

~200

partners and
managing
directors

Our EQCR team consists of

200+ SEC reviewing
partners

+ 280 assistants

Our Regulatory and Quality
Monitoring Group consists of

14 partners

Our efforts to pull work forward create the capacity for us to conduct preissuance reviews for 100% of audits of public companies that file a form 10-K.

Collaborative national office consultations

We conduct collaborative consultations with partners and other professionals in our national office on difficult or complex matters. Our consultations involve a thorough understanding of the entity's views as well as the judgments of both our national office and engagement team. Throughout this process, lead partners leverage the analysis and judgments of our national office to provide transparency and insights for audit committees and management.

This effort is complemented by our national office's Client and Industry Liaison Programs. The Client Liaison Program enhances the audit experience for companies with a consistent pattern of complex accounting and/or auditing matters and provides a single point of contact to seamlessly bring together engagement teams with our national office. The Industry Liaison Program supports our Audit Sector leaders by monitoring emerging industry issues as well as standard-setting and regulatory matters, helping engagement teams to understand, act on, and communicate industry-specific risks to audit committees.

Centers of excellence

We've continued to expand our centralized services, such as our Center for Audit Solutions (CAS) and our Global Delivery Center (GDC), to support audit engagement teams. CAS provides more than 20 services for engagement teams, including centralized support for technology assurance. These services include support for SOC 1 reviews, performance of wide-ranging audit execution for all types of EBP audit engagements, risk assessment procedures and testing the valuation assertion for investment securities, and more.

Independence

Independence is the bedrock of audit quality. Auditor independence empowers teams to challenge audit committees and management teams on processes, assumptions, and findings during the audit. We provide our people with personal independence concierge services, virtual office hours, and required trainings so they can navigate complex and difficult independence requirements.

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.

While we always make it a priority to bring insights from across the firm and we believe the capital markets benefit from our multidisciplinary model, we thoroughly evaluate potential nonaudit services to maintain independence and avoid compromising audit quality.

Additionally, we're scaling our Audit Capabilities Hub, which primarily provides centralized services focused on private audit engagements. All centralized services are part of our system of quality control, which requires proper supervision and review by engagement team members.

Our CAS and GDC professionals work closely with engagement teams to execute standardized elements of public and private audits, delivering approximately to over 25 percent of audit hours in FY25.

Multidisciplinary model

Our audits benefit from our multidisciplinary model with Tax, Advisory, Actuarial, and Technology Assurance professionals supporting our audits with approximately 2.2 million hours of support in FY25.

FY25 2.2M

FY24 2.3M

FY23 2.3M

We believe the capital markets benefit from our multidisciplinary model and we thoroughly evaluate potential nonaudit services to maintain independence and avoid compromising audit quality.

Spotlight

Independent leaders enhance governance, innovation, and quality

Our leaders meet regularly with our Independent Audit Quality Advisory Committee (IAQAC), which provides 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. The committee advises KPMG on matters underpinning our commitment to audit quality.

Members of the IAQAC include:

Zoe-Vonna Palmrose is the Accounting Circle Professor Emerita of Accounting at the University of Southern California. She formerly served as deputy chief accountant for Professional Practice at the Securities and Exchange Commission (SEC), where she played a pivotal role as part of the Sarbanes-Oxley 404 Team. Zoe-Vonna also served as an SEC observer on the US Department of the Treasury Advisory Committee on the Auditing Profession and on the PCAOB Standing Advisory Group.

Doug Prawitt is the LeRay McAllister/Deloitte Foundation Distinguished Professor and former director of the School of Accountancy at Brigham Young University. He is also the lead director on COSO's Executive Board and played a key role in producing COSO's ERM Framework, as well as its most recent Internal Control Integrated Framework. Prior to these roles, Doug served a three-year term as a member of the AICPA Auditing Standards Boards.

Larry A. Leva was most recently the vice chair of the Board of Trustees of the IFRS Foundation, where he oversaw the development of globally accepted accounting and sustainability disclosure standards. Prior to that role, he was the KPMG global vice chair for Quality, Risk, and Regulatory after serving in leadership roles at the US firm, including on the firm's Management Committee and Board of Directors and as an SEC reviewing partner.

The IAQAC complements the governance of the firm's Board of Directors, which includes independent members.

Most recently, KPMG added **Jim Kroeker** as an independent board member. He most recently served as vice chairman of the Financial Accounting Standards Board (FASB), where he led the development and implementation of generally accepted accounting principles, including standards on revenue recognition, leasing, credit losses, digital assets, and insurance. Prior to his role at FASB, Jim served as deputy managing partner, Professional Practice at Deloitte, advising on complex accounting, auditing, and professional practice matters. He also served as chief accountant at the SEC.

Jim joined **Katrina Helmkamp** and **Harit Talwar** as independent directors. Katrina and Harit joined the board of directors last year.

To learn more about our system of quality control, review our [2025 Audit Transparency Report](#).

Technology: Setting a new standard for innovation and trust

Technology is reshaping our profession and we are building on our technology investments to lead the profession into the future. Our global AI-enabled platform (KPMG Clara) operates under the direction of our people, who continue to use AI with greater frequency and sophistication.

At KPMG, we're well beyond initial inflection points in our use of AI in the audit. With our people trained and capabilities tested, we use both GenAI and AI agents on a daily basis. Today, these capabilities are embedded directly in KPMG Clara.

“

It's becoming seamless, like email, but people actually enjoy and want more of it. For certain tasks, like search and data extraction, we are reducing the time spent by 80 percent, but the spark everyone is feeling now is related to quality. When auditors see instant AI reviews of documentation and maps of hundreds of thousands of transactions sorted by risks, the analytical and creative parts of their minds light up.

—Thomas Mackenzie, KPMG US and Global Audit Chief Digital Officer



Our approach to using AI in the audit is grounded in our Trusted AI Framework. It benefits from our rigorous approach to test, pilot, and deploy technology, while effectively training engagement teams to use it effectively and responsibly. We maintain trust by leveraging our deep bench of multidisciplinary experience across the firm to provide assurance over AI-powered processes and controls, helping to build a secure and reliable digital future.



Accelerating an AI-enabled, people-powered experience at every stage of the audit

Today, 95,000 KPMG auditors around the globe use KPMG Clara with GenAI and AI agents directly embedded in the platform. We have the (1) right technology foundation, (2) alliances and collaborations, and (3) momentum with our people to continue accelerating our use of AI in the audit.

1 | Our technology foundation: KPMG Clara is underpinned by [KPMG Workbench](#), our foundational and single AI platform that helps us scale AI capabilities across the globe. And we are scaling quickly.

In just two short years, we've moved from releasing Audit Chat, our proprietary GenAI capability to our Audit practice, to embedding both GenAI and AI agents into KPMG Clara globally.



We've also deployed AI agents through KPMG Clara, which supports standardizing and automating various aspects of the audit process and substantive procedures, such as expense vouching and searching for unrecorded liabilities.

Additionally, we've deployed our Financial Report Analyzer (FRA) AI engine, which provides AI-generated output to enable auditors to more effectively and efficiently address accounting and disclosure audit procedures and complete the required disclosure checklists.

2 | Leading alliances and collaborations: Our alliances and collaborations with Microsoft, Google, MindBridge, Databricks, and Fieldguide accelerate our AI-enabled efforts.

All of our auditors have access to Microsoft CoPilot and Google's Gemini Enterprise. Our experience with AI makes these tools gamechangers immediately. In fact, when looking at [Gemini Enterprise](#), nearly 90 percent of KPMG employees accessed the tool within two weeks of its launching and nearly 700 no-code AI agents were created by employees since late-September.

These capabilities are already embedded in our commitment to innovation through KPMG Ignition Centers. For example, the Google Cloud Experience Zone brings leading Google AI demos and workshops to KPMG Ignition Centers globally, starting with the US, Europe, and Asia Pacific. The Google Cloud Experience Zone provides clients with hands-on workshops and technology demos to explore the potential of AI agents for their own businesses.

Additionally, we continue to make minority investments in AI-driven start-ups, including Ema, Wokelo, and Rhino.AI. Our total firm minority investment strategy keeps us close to the frontier of AI innovation, helping us lead in the AI and innovation space. Most recently, our collaboration with and minority investment in Fieldguide, a leader in agentic AI workflows for professional services, is helping us create dynamic, interactive agents that perform practitioner-designed procedures and analyses that enhance audit quality and efficiency.

3

Momentum with our people: Speed to market only matters if your people are engaged, and our people are all-in on our AI-first mindset. As seen with our launch of Gemini Enterprise, our investments in learning and development help us create new value from AI capabilities. Additionally, our people held millions of conversations with Audit Chat prior to its full integration with KPMG Clara AI, placing this capability directly within our workflow.

Foundational to our people's engagement is learning and development. KPMG professionals conducted more than 150,000 hours of data and technology training in the last three years. Moreover, in FY25, we conducted 33,000 hours of AI-related training. This effort builds on last year's approximately 20,000 hours of AI-related training, which included a required course on AI Ethics.

The benefits of our technology approach to the audit experience are clear:

- **Enhancing quality at every step in the process:** GenAI and agentic AI, along with machine learning, help us extract and transform more data, analyze full data populations to refine our risk assessments, enhance audit documentation, and better design and automate appropriate substantive testing. GenAI also automates quality scoring, giving teams recommended actions. By embedding AI into every step of the audit process, we enhance audit quality.
- **Empowering our people to focus on areas of higher risk:** Our approach focuses on embedding AI to handle data-intensive tasks while reinforcing that our auditors are in control of the decision-making process to maintain quality, accuracy, and professional skepticism. Moreover, with greater efficiencies, our auditors can more easily pull work forward and focus on high-risk areas.
- **Delivering a better experience for our people and the companies we audit:** For our people, AI reduces manual work and allows them to quickly move up the learning curve of the audit. Importantly, they gain enhanced experience much earlier in their careers, making them much better auditors and professionals in the long term.

For audit committees and management teams, AI fuels our audit strategy to pull more work forward with greater depth and breadth of analysis. We already spend more time today discussing insights and risks rather than the audit process, and we're doing it much earlier in the audit cycle.



People spotlight

KPMG US Audit Senior Associate
Jessica Moran

Jessica Moran leveraged our **flowchart generator tool**—which uses AI to generate MS Visio flowcharts using simple word-based process narratives—to reduce four to six hours of work down to just a minute. This enabled the audit team to spend more time on critical areas of risk for the client, supporting audit quality. Read more from the *Washington Post* [here](#).



Our multiyear AI journey

 Click on the dates for the description

 Our new Microsoft Agent Framework helps developers orchestrate multiagent systems, with compliance, observability, and deep integration out of the box. For example, KPMG used the Framework to modernize the audit process, connecting agents to internal data, with enterprise-grade governance and observability. These kinds of real, production-scale AI deployments are driving Azure's overall growth.

—Satya Nadella, Microsoft CEO

People & culture: Building careers for a tech-forward future

Our people are central to driving audit quality and innovation, and we are committed to being the employer of choice for audit and assurance leaders to grow and build their careers.

Our investments in our people and culture focus on:

Fostering a culture of learning, development, and innovation: We support our people with learning and development opportunities aligned to our continuous growth mindset and tech-forward approach, cultivating the critical thinking and adaptability they need to lead and innovate in a digital-first world.

Creating opportunities to grow and evolve careers: We are dedicated to attracting, developing, and retaining high-performing professionals and providing them with apprenticeship and mentorship to build a rewarding career.



Sustaining our people's well-being: We foster a supportive and healthy work environment through proactive programs and a culture of flexibility, helping ensure our people have the support and energy to maintain sustainable and successful careers.

KPMG is proud to be named a "Best Company to Work For" by Fortune and Great Place To Work for the 18th Consecutive Year

Employee Award of Distinction 2025

Congratulations to our national winners in Audit and Assurance!



Joseph Bergeron
Managing Director



Jocelyn Creeron
Senior Manager



Lena Ishtayeh
Senior Associate



Taylor Luell
Director



Dannen Shatto
Senior Associate



Harris Wilbanks
Senior Associate

Our Audit practice

Partners/MDs
~1,400

Managers
~2,200

Associates
~4,300

-7% YoY change

Total utilization



22

Average years of
partner experience



Hires:

~1,500
new hires



National office:

~200
partners and
managing directors

150,000 + hours
of data and technology learning
in the last three years

33,000+ hours of AI-focused
learning

25,000+ hours of learning
specific to industries

Empowering our people to grow:

In today's rapidly evolving business landscape, a fulfilling career is built on continuous growth and innovation. Learning and development is at the heart of our continuous improvement mindset, designed to cultivate the skills our people need to lead today and beyond. We believe success requires an immersive approach that combines hands-on audit experience with high-quality learning, supported by on-demand digital resources and personalized coaching.

Our approach empowers our professionals by focusing on key principles:

- We align our learning and development program to accelerate our ongoing audit transformation journey, focused on a tech-forward future while sustaining quality and trust.
- We are focused on delivering a learning and development curriculum that prioritizes value and impact over volume. With our library of on-demand courses and micro-learning assets, our people are empowered to go above and beyond required training, choose their own learning pathways, and proactively shape their careers.
- This year, we also were first-to-market with a CPE-worthy podcasting platform to support more mobile-friendly learning. We also deployed AI-coaching platforms to enhance presentation capabilities through Yoodli, and improve people's ability to have challenging conversations through Blueline.
- We know that growth is accelerated through connection and collaboration, an ethos that comes to life at KPMG Lakehouse, our cultural home. At Lakehouse, audit



professionals have the opportunity to learn, build their networks, and connect with colleagues and leaders, reinforcing the apprenticeship and innovative culture that is core to our firm. This year, we continued to welcome our Audit practice and interns to Lakehouse to connect, learn, and engage. These sessions are a cornerstone of our firm's culture and professional development.

640,000+ CPE Learning Hours

in FY25



Investing in talent:

We continue to effectively attract, develop, and retain high-performing Audit professionals to execute our audits. From early outreach in high schools and universities to our expansive campus and experienced hire recruiting programs, we are dedicated to building a robust talent pipeline and creating a culture of apprenticeship and mentorship where every individual has the opportunity to build a long and rewarding career.

We offer a wide range of learning and development and mentorship opportunities throughout one's career. In addition to our previously discussed learning and development focus, including our emphasis on new hire training, we have many initiatives to help our people succeed. Some highlights include:

- **Early career development opportunities:** We offer multiple programs that provide short-term assignments across areas like centralized services and IT auditing, helping early career professionals build critical new skills.
- **Rotational programs:** Our audit transformation strategy has also created new career paths within our practice, and we offer various rotational programs for people to gain experience and see what those paths may entail longer term.

Beyond programming, we focus on fostering a welcoming and inclusive environment, enriched by connections. Through our Team of Choice initiatives, engagement teams 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 that engage our people and help them build relationships.

Spotlight

Community Impact Day

Our commitment to our people includes fostering a culture where we find meaningful ways to connect with each other and our communities. On our annual Community Impact Day, more than 16,000 professionals came together as one team, volunteering across 79 offices to support over 500 nonprofit organizations and strengthen the communities where we live and work.

16,000+
KPMG volunteers

39K
hours volunteered

500+
nonprofits served



Supporting our people's well-being:

We believe that sustainable success is built on a foundation of holistic well-being. We are committed to fostering a supportive and healthy work environment through comprehensive policies and a culture that prioritizes flexibility and time to recharge. By integrating well-being into how we work, we help ensure our people have the support and energy to thrive both professionally and personally.

We continue to help our people stay ahead of burnout by supporting work-life integration, encouraging personal time off, and building in rest throughout the year. We have two firmwide breaks with nine consecutive days of time off in the summer and winter, during which the entire firm shuts down, enabling people to truly take time off and disconnect. Proactive programs like our firmwide energy check-ins enable us to support our employees at risk of burnout.

Through our Total Rewards program, we strive to support the health and well-being of our people throughout every stage of their lives. This commitment is reflected in the comprehensive resources, benefits, and programs we offer to both partners and professionals, addressing holistic wellness to enable success at work and at home.

Our benefits include:

- Free, personalized mental health support and therapy with Spring Health as well as other services, including Mindfulness with PurposeBlue and Therapy with Alma
- Financial resources to help plan now and in the future, plus an annual contribution to our employees' 401(k) CAP plan, regardless of their participation
- Physical well-being benefits that offer access to gyms/studios; in-person fitness classes; and apps to support sleep, nutrition, and mental health
- Unlimited paid time off, plus week-long summer and winter breaks that support a healthy work culture.

Our strategy helps ensure that our partners and professionals have access to a broad suite of benefits designed to address their diverse needs. These flexible, personalized programs recognize that individuals and their families may experience various life changes and challenges, and in turn, our firm is here to support them.



Conclusion

Thank you for reading our 2025 Audit Quality Report. We invite you to discuss this report and our audit approach with our engagement teams. As always, our commitment to our stakeholders—including investors, audit committees, boards of directors, management teams, and our people—is a better audit experience.

This experience is shaped by our audit approach, use of technology, system of quality control, and investment in our people and culture, all of which sustain our ability to continually enhance the quality of our audits.

We're proud of efforts in FY2025 and we look forward to tapping into our continuous improvement mindset to drive more innovation, develop talent, and enhance our audit process to continue leading the profession into the future.

Learn about us:



kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS036253-1A
KPMG LLP is the US firm of the KPMG global organization of independent professional services firms providing Audit, Tax and Advisory services. The KPMG global organization operates in 138 countries and territories and has more than 276,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. For more detail about our structure, please visit home.kpmg/governance.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.