



# Revolutionizing internal controls

The impact of technology and automation

Insights from an April 2026

KPMG *Future of SOX* webcast

“*We are underestimating the impact, even as we talk about the art of the possible. Our jobs as SOX practitioners – and the entire finance suite – are going to change profoundly. AI is becoming an operating system. When we roll the clock forward five or six years, no one will imagine working without agentic and AI technologies.*”

—Charles King

Partner and US AI in Internal Audit Solution Leader, KPMG LLP



# What's Shaping AI Enablement in Internal Audit

Inputs from ~3,900 audit and risk leaders in our April 2026 *Future of SOX* webcast highlight that AI enablement in internal audit remains at an early stage, with limited scale adoption constrained by capability, resource, and integration challenges.

## AI Adoption is Broad, but not yet Scaled

**70–80%** of leaders believe that both their **accounting and finance functions** (first line) and **SOX/internal controls/IA function** (second and/or third lines) are either in **pilot stage** or have **achieved moderate progress** in their AI/tech enablement journey.



## AI Ambition Meets Constraints

**~26%** believe **lack of time/resources** is the primary obstacle in the AI/tech enablement journey for both first line and **SOX/internal controls/IA functions**, while **23%** face **multiple obstacles**, including **budget and talent gap**.



## AI is Delivering Value in Upstream Activities

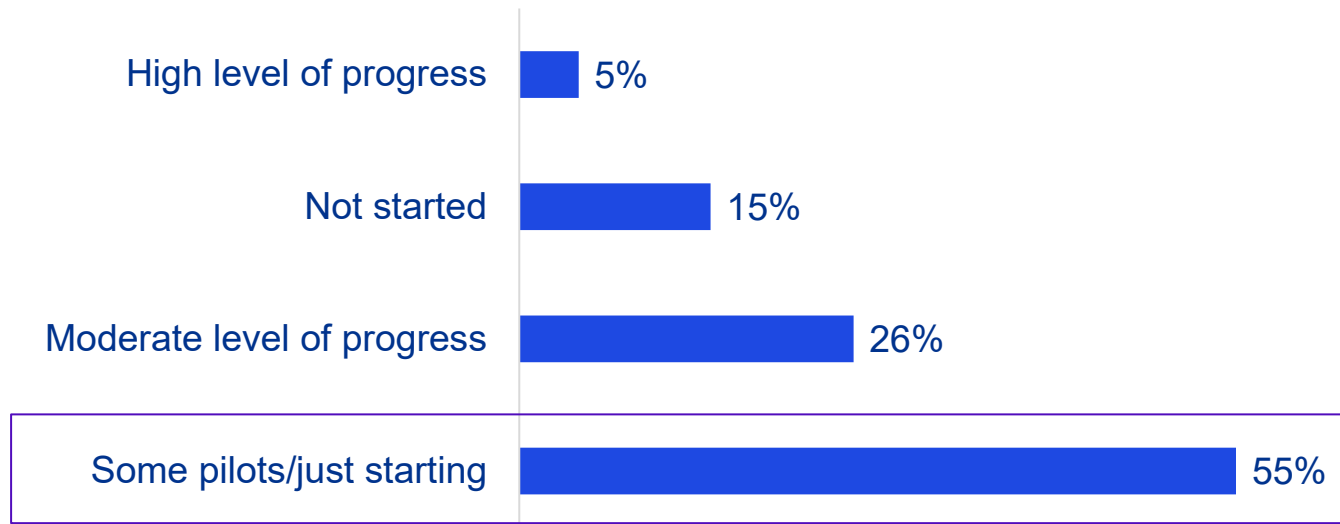
**33%** of leaders primarily use AI in SOX/internal controls/IA functions **for research, planning, scoping and risk assessment**, while **28%** use it **for analysis of large data sets**.



# Early Momentum, Limited Maturity in First Line AI Enablement

With most finance functions still in early stages of AI adoption and few at scale, value realization remains limited – creating urgency to move beyond experimentation and embed AI into core processes with governance and controls from the outset.

## Maturity of finance and accounting function (i.e. first line) on an AI/tech enablement journey



*It can be difficult to get ahead of the rest of the organization when it comes to building agents and embedding AI into your work, and what I mean by that is this: if your accounting processes don't have agentic or AI workflows, it's going to be harder to think about from a second line or third line perspective building agentic workflows into your work.*

—**Charles King**

Partner and US AI in Internal Audit Solution Leader, KPMG LLP



# A Thoroughly AI-Enabled Finance Function

## AI-enabled Finance Function

### Transaction Processing

(Quote to Cash/Source to Pay/Acquire to Retire)

Generative Contracts Engine	10%+ revenue and savings increase; 20% shorter contracting cycles
Invoice Processing	25%+ improvement in automation
Inventory Optimizer	30%+ reduction in overstock and stockouts
Customer and Supplier Management	75%+ reduction in response time

### Month End Close

(Transact to Record/Record to Report)

Reconciliations Automation Engine	95% automation of reconciliations; 70% controls compliance
Close and Consolidation Engine	75% reduction of manual entries
Commentary and Narrative Creator	Reduction in manual errors; Improvement in stakeholder understanding and trust
SEC Reporting	Automated reporting and more time on analysis

### Planning and Forecasting

(Plan to Perform/Treasury)

Intelligent Forecasting	50%+ improvement in forecast accuracy; 5x faster planning cycle
Variance Analysis and Strategic Insights	Improvement in performance through quicker time to report results
Cash Flow and Working Capital Optimizer	20%+ improvement in FCF; 25%+ improvement in DSO, DPO, & DIO
Market Intelligence	Reduction in time to target acquisition and investment thesis realization

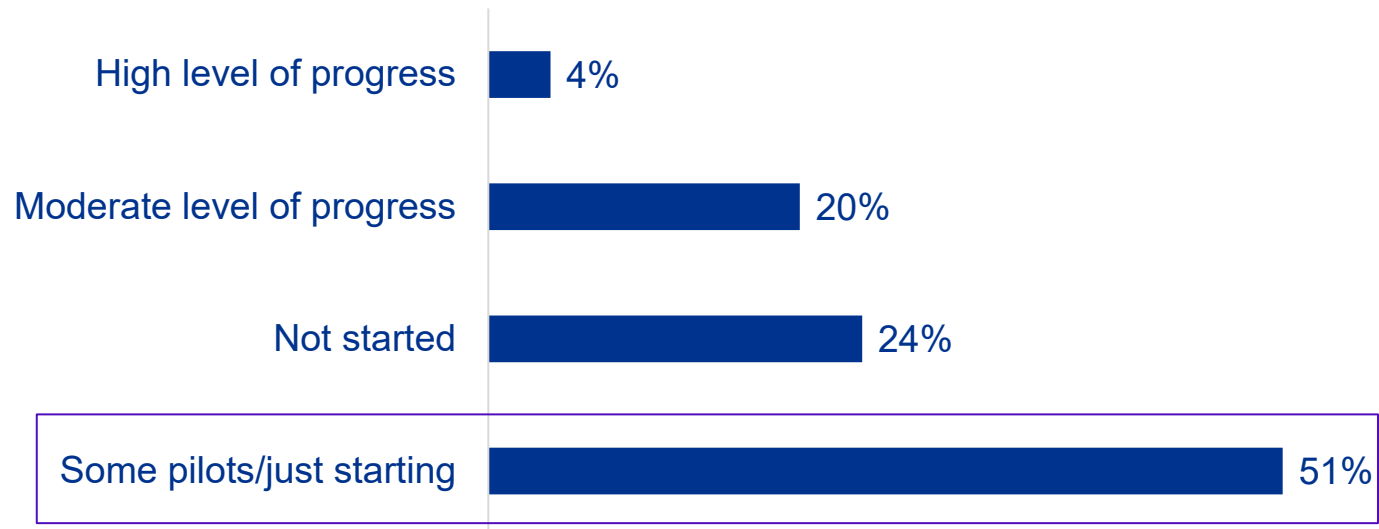
### Enabled by: Integrated Data Architecture

<b>Prioritization Principles</b>	<b>Value-add objectives (EBITDA, Revenue, Working Capital, etc.)</b>	<b>Workforce automation and streamlining</b>	<b>Data architecture and process maturity</b>	<b>Control environment and risk considerations</b>
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# IA Second and Third Lines' AI Journey is Underway... but Far from Scaled

With most SOX, internal controls, and internal audit (second and third lines) functions still in the early stages of their AI journeys, scalability remains limited, constraining the ability to scale assurance, advance testing capabilities, and increase reliance on first line AI enablement to drive meaningful transformation.

## Maturity of SOX/internal controls/internal audit (i.e. second and/or third lines) on an AI/tech enablement journey



# Why the Gap Exists: Rapidly Evolving AI Capabilities

To understand the gap between adoption and scale, it is critical to assess how AI technologies are evolving across increasing levels of autonomy and complexity.

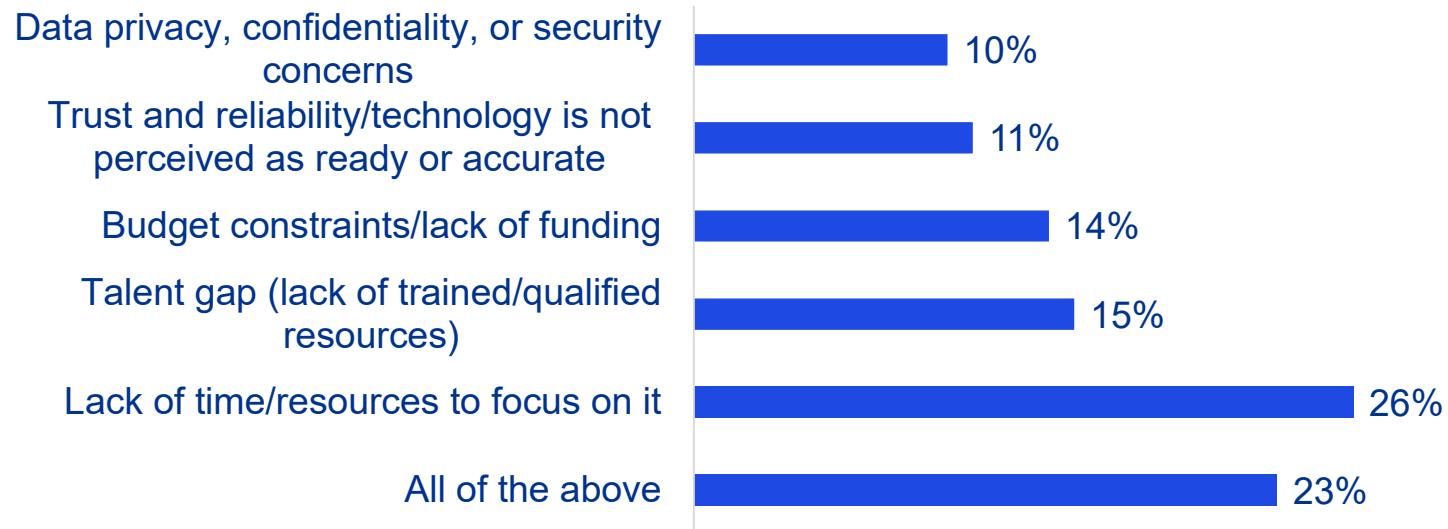
AI has long been embedded in operations; however, recent advancements in Generative and Agentic AI are reshaping how work is executed, prompting finance organizations to evolve to stay competitive.

Digital Enablement	Classical AI	Generative AI	Agentic AI	Multi-Agent Systems
Leverages digital tools to improve business processes and enhance experiences	Relies on explicit rules and knowledge representation to solve problems	Leverages learning patterns from available data to review, analyze, and generate content	Autonomous AI systems that can solve and execute complex processes	AI-powered agents are deployed within an organization's tech ecosystem
Automates standard, repetitive tasks and reporting within and across enterprise applications	Automates more complex, non-repetitive activities based on programmed rules and logic	Automates more advanced analytical, creative, and decision-supporting activities	Designed to interact with other agents and humans without human intervention	Creates a new era of AI colleagues that can automate tasks, provide insights, and support decision-making

# Why AI Struggles to Scale Beyond Pilots

Time and resource constraints are the primary barriers, preventing finance teams from scaling beyond pilots – slowing progress, delaying value realization, and limiting downstream enablement for SOX functions.

## The primary obstacle to moving faster on an AI/tech enablement journey for first line finance and accounting



*The concept of auditor reliance is going to go away, and our role is to be much more of a controls' adviser, which is why we talk about building automation in the first line. Rather than building a beautiful testing machine, the first line should be analyzing 100%. External auditors are ingesting large data sets, moving away from sampling... and management must be prepared for that level of scrutiny.*

—Sue King

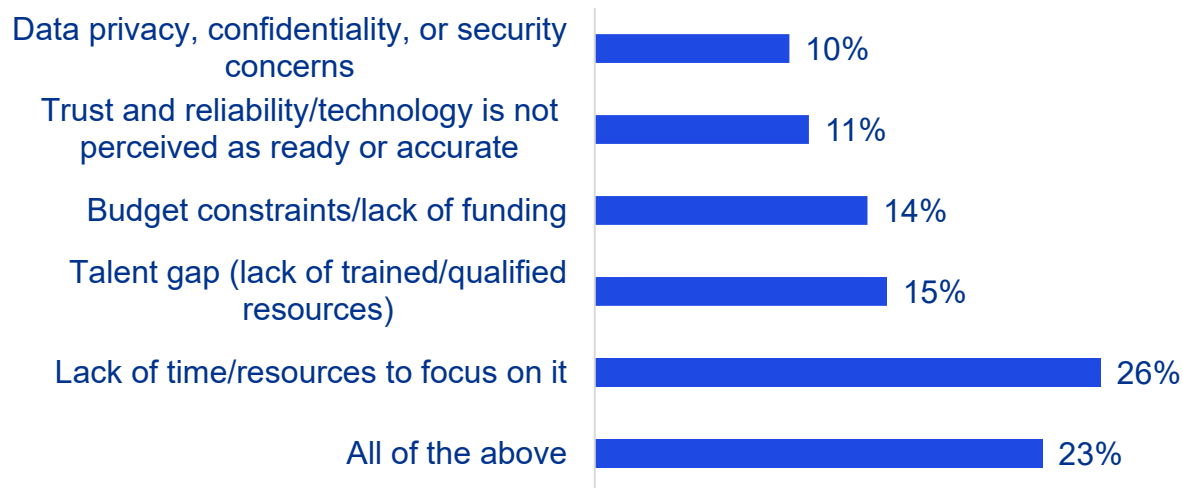
Partner and US  
SOX Leader,  
KPMG LLP



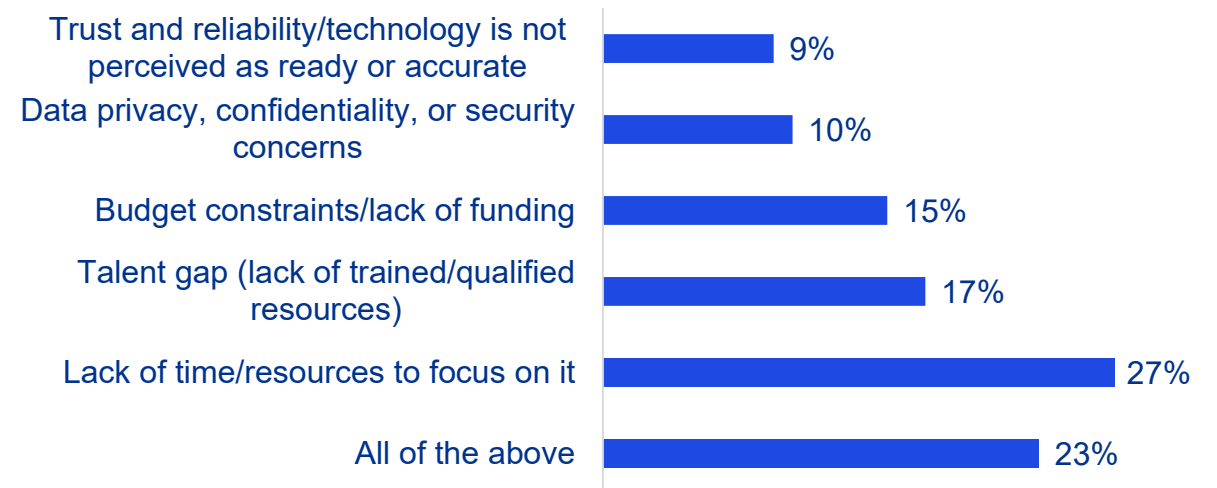
# AI Scale Challenges Persist Across First Line and Internal Audit

Across both finance and internal audit functions, AI progress stalls at similar choke points – time and resource constraints dominate, reinforced by talent shortages and funding gaps – keeping adoption risks fragmented, slowing scale beyond pilots and delaying enterprise-wide value realization.

**Primary obstacle to moving faster on an AI/tech enablement journey for first line finance and accounting**



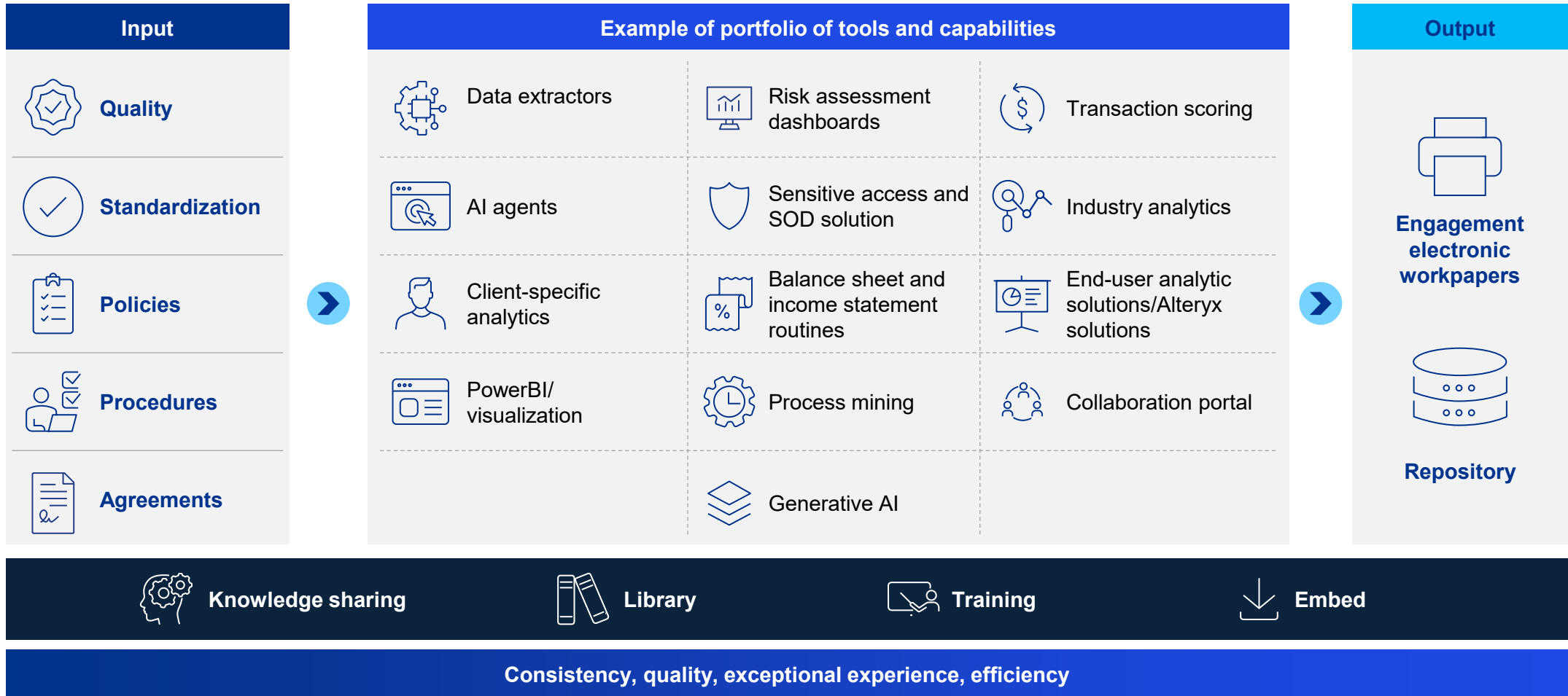
**Primary obstacle to moving faster on an AI/tech enablement journey for SOX/internal controls/internal audit**



**“Both management and audit teams must think about a combination of technological safeguards and human governance for overall governance. You’re always going to get the HITL (human in the loop) all the time. And our foundations as auditors – applying professional skepticism and employing that HITL – as we think through governance.... and controls is going to be key.”**

**—Subash Samuels, Principal, Internal Audit & Controls, KPMG LLP**

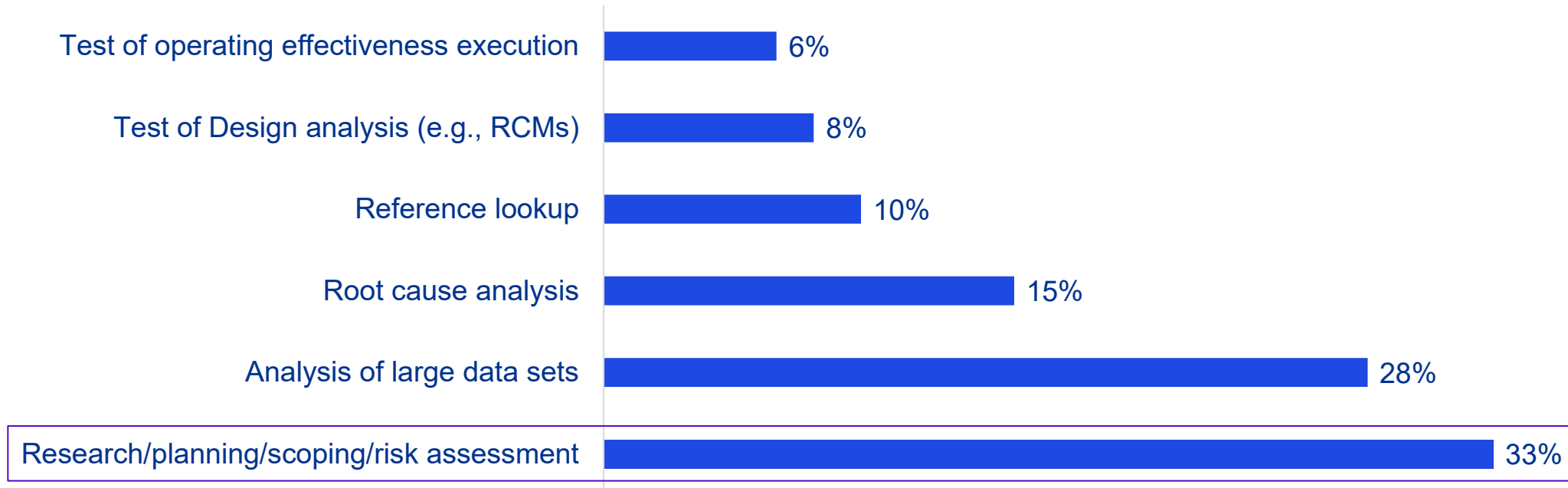
# The Building Blocks for AI-Enabled Internal Audit Already Exist Today



# From Planning to Proof: AI's Next Leap in Internal Audit

AI adoption in SOX and internal audit is largely concentrated in planning, scoping, and data analysis, signaling a focus on upstream risk insights, while the limited use in testing reflects a cautious shift toward deeper, execution-level AI enablement.

## Primary usage area of AI in SOX/internal controls/internal audit



# Key Session Takeaways



Technology, automation, and AI will have a profound impact on the design and execution of processes and controls.



Internal audit should play a key role in assisting organizations in redefining control activities and requirements to fully leverage the possibilities.

# The Path Forward: Revolutionizing Internal Controls in a Tech+ Automation World



As technology and automation advance, organizations should proactively modernize internal controls by embedding them into first line processes, preparing for extensive scrutiny, and strengthening governance to meet rising complexity and audit expectations.



## Embed Controls in the First Line

Embed controls directly into first line finance and operational workflows for continuous, preventive assurance

01



## Design for 100% Population Scrutiny

Design internal controls to withstand full-population analytics, not sample-based review by external auditors

02



## Make Evidence 'Audit-Ready' by Design

Build audit-ready evidence into automated processes through system logs, trails, and explainability that are embedded into workflows

03



## Build Governance That Scales

Establish scalable AI governance covering legal, privacy, security, data quality, and accountability across enterprise environments

04



## Evolve SOX/IA into Controls Advisers

Shift SOX and internal audit toward controls advisory, including support across design, effectiveness, automation, and mitigation

05



## Redesign from First Principles (Avoid Automation Theater)

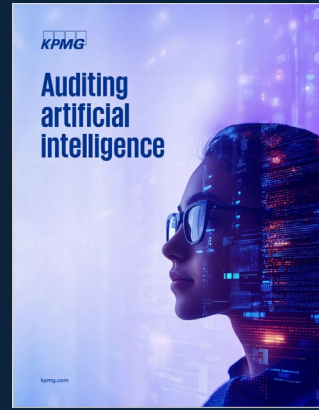
Rethink processes from first principles to avoid automating inefficient or outdated controls

06

**“ Don't bring a knife to a gunfight. If you took a sample of 25% and the external auditor looked at 100%, you're playing different games. We have to fundamentally rethink what we're doing, how we're doing it, and how we put controls around it. ”**

—Sue King, Partner and US SOX Solution Leader, KPMG LLP

# Explore More by Reading Our Recently-Published Thought Leadership



## On the Chief Audit Executive's agenda

A pulse on what Chief Audit Executives (CAEs) are focused on, with a lens on top risks being considered.

For more SOX and AI insights, visit our thought leadership webpages:

- [The Future of SOX insights](#)
- [Internal audit's role in AI transformation](#)

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