



AI's Role in Enhancing Trust in Financial Reporting and the Capital Markets

Analyzing financial reporting leaders' AI aspirations for their function and external auditors

Will AI transform financial reporting and audit?

Since the launch of Open AI's Chat GPT, the potential of AI to completely reimagine these processes has exploded. At the same time, the timeline for transformation has moved from down the road to around the corner.



At KPMG, we forged enhanced alliances with Microsoft, Google, Service Now, and MindBridge to develop innovative AI-solutions. We are also investing more than \$2B to embed AI capabilities throughout our business. Our goal is to transform the audit.

Behind this excitement are questions for management, boards, audit committees, and investors. KPMG surveyed over 200 financial executives at companies with revenue >\$1B across industries to find out their expectations on AI for financial reporting functions and external auditors.

Key findings include:

Building on a solid foundation, financial reporting functions will accelerate the adoption of both AI and GenAI.

- Today, 65% of financial reporting leaders report their functions are using AI with 48% already having either piloted or deployed GenAI solutions in some fashion.
- While GenAI is a key priority among leaders, cloud migration, data & analytics, and robotic process automation are the top priorities today.
- 70% of leaders whose companies are already using AI report they expect to roll out AI solutions more broadly over just the next two years.
- Moreover, 71% of leaders report they expect AI to be used extensively in 3 years with 18% expecting the function to be transformed



Financial reporting leaders believe AI will bring many benefits but are cautious about the hype.

- Increased efficiency and reduced staff burden (51%), more accurate and reliable data (50%), and better ability to find outliers (48%) are the top benefits, while far fewer leaders highlight AI as a solution to staff shortages (27%) or cost savings (25%).
- 47% agree GenAI will deliver on the hype, while 38% disagree, a narrow gap.

72% of financial reporting leaders believe external auditors are ahead of financial reporting functions on using AI and expect AI to enhance audit quality.

- Financial reporting leaders expect auditors to use AI to ask the right questions and challenge (48%) and conduct data analysis (46%).
- Meanwhile, they expect GenAI to be used to also find new risks/anomalies (43%) and drive more continuous auditing throughout the year (42%).

Financial reporting leaders have different concerns for AI and GenAI.

- AI concerns center on the transparency of models and data privacy, while generative AI concerns center on accuracy, data management, and bias.

- The main barriers to AI adoption are concerns about its reliance on algorithms, the pace of changing regulatory guidelines, and data quality.

65% of financial reporting leaders want external auditors to evaluate their use of AI either by conducting third-party attestation (29%) or detailed reviews of control environments (36%).

- Moreover, when considering the entire company's use of AI, 51% of financial reporting leaders believe third-party attestations will be valuable soon.

While AI anxiety among the workforce is commonly discussed, financial reporting leaders expect a boon to talent and diversity.

- Financial reporting leaders expect AI to attract more talent to financial reporting roles (52%) and 55% do not expect AI to shrink teams.
- In fact, 21% believe AI will grow their team's size to enhance value and by a 6-to-1 margin believe AI will positively affect diversity, equity, and inclusion.

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