



# THE RISE OF AI AND MACHINE LEARNING IN FINANCE AND AUDIT

**TODAY THE FINANCE FUNCTION WITHIN AUSTRALIAN MUTUAL BANKS FACES A MULTITUDE OF CHALLENGES INCLUDING AN EVER-GROWING REGULATORY CHANGE AGENDA, INCREASING PRESSURE ON PERFORMANCE AND EFFICACY, AND AN INDUSTRY-WIDE FIGHT FOR TALENT.**

The resource constraints in a mutual bank force the finance team to balance multiple responsibilities as it attempts to navigate the current regulatory and reporting challenges while still focusing on improving and evolving for the future. Therefore, increasing the use of technology is an absolute must to keep pace with the increasing demand for more efficient financial control and the requirements for more granular level data and non-financial information to be used in decision making or reporting to external stakeholders.

## ESTABLISHING GOALS FOR TECHNOLOGY INTEGRATION

When implementing and using technology, most mutuals rely on a combination of service providers for core infrastructure and technology support services. Cost-to-income ratios are under constant pressure, therefore the finance function should consider how the best impact can be achieved when investing in Artificial Intelligence (AI) and financial technology solutions. For a start, what is the goal?

- To create efficiency, and / or
- To improve data quality.

Both are necessary to enable more informed and timely decision-making possibilities and to meet expectations of regulatory requirements.

## HOW AI AND MACHINE LEARNING IS LEVERAGED

In a recent [evolution of finance webinar](#) we exhibited cases where finance teams have begun to harness technology-based solutions and basic level automation. We also explored examples of Machine Learning and AI based controls and reporting solutions.

The examples we provided illustrate the use of robotics process automation and machine learning mainly within finance functions, centring around those solutions with repetitious and manual processing issues. The aim is to reduce errors and processing time, and increase the coverage of controls to lower level operational, regulatory, reporting and even reputational risks for the mutual bank. The benefits from using technology then start to move beyond simply executing processes and controls quicker and with less risk to enabling automated informed decision-making capabilities. Here is where the use of artificial intelligence becomes essential in finance and audit. AI can automate processes and use a combination of decision-making rules quicker than a human can, thereby allowing numerous inputs in a decision process to derive an outcome with a feedback loop to aide learning in future decisions.

## EXPLORING THE BENEFITS OF AI IN FINANCE

Practical ways in which AI can support finance range from tools trained to detect anomalies to clean-up or improve data quality directly – using rules- or learning-based attributes to challenge data for review when it falls outside a set range or plausible relationship. Other examples of benefits from AI include using a combination of tools to review source documentation for quality assurance purposes and to create suggestions will also help complete missing data gaps in required fields. Managing these technology solutions with sufficient human support and knowing how to review results is crucial to maintaining control and oversight.

## THE TECHNOLOGY KPMG BRINGS TO AUSTRALIAN MUTUALS

When using technologies such as RPA or decision-making AI based tools these are not restricted to operations in Line 1 or 2 functions within a mutual bank or financial institution. Line 3 can utilise these same principles to execute its responsibilities and harness the benefits of greater testing coverage, driving better quality assurance

and the ability for deeper, more timely insights. At KPMG, we have developed two main digital platforms to execute our technology-driven approach to manage assurance work. KPMG Clara, our core audit platform from which we deliver our audits and assurance work, is underpinned by a technology stack that employs a range of tools from journal testing, to large scale sampling techniques for homogenous populations. We use this digital platform to launch our assurance tools and house our audit evidence documentation.

To unlock the benefits of artificial intelligence, we have also developed KPMG Ignite – a patented platform involving machine learning and natural language processing. This digital platform enables our teams to unlock value from unstructured data to perform audit routines and solve more complex procedures. An example of KPMG Ignite’s capabilities include collating, reading, and analysing large amounts of data from sources such as loan agreements, core banking system data, and transactional cash management systems to accelerate operational efficiency.

Using natural language processing tools to recognise and perform a series of routines, data can be

sourced, sorted, matched against external data. Where it’s relevant, recomputed data can provide evidence about the recorded amounts in a bank’s general ledger or financial statements. This can be done across products and processes that unlock extensive scale testing that traditional approaches cannot perform. The audit teams are then able to focus on any identified anomalies from the technology-based testing and focus on areas with the most significant risk.

Overall, the benefits of AI for finance teams and auditors are similar, it improves the effectiveness of processes and controls, executing them more efficiently and driving higher quality. AI tools and digital technology provide more timely analysis, help decision-making and greater oversight and control. At the same time, it reduces the risk of non-compliance with laws and regulatory expectations. Any approach within finance or line 3 assurance that is not evolving to increase the use of technology will ultimately fail to keep up with the need for quick, more accurate modelling and decision-making capabilities and the expectations that regulators set on quality.



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