

KPMG AI in finance: transforming the finance function

Transforming into a new era with the
AI-empowered finance function

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Introduction

Artificial intelligence (AI) has already begun to transform business processes and capabilities — and finance is in the vanguard of this revolution. In April 2024, KPMG conducted a study of 1,800 companies spread across 10 major economies and found that almost three-quarters were already using AI to some degree in their financial reporting processes, with virtually 100% expecting to do so within the next three years.

Ordinarily, one would wait a year or more before conducting follow-up research — but AI is no ordinary topic. Such is the pace of its development — and the speed of its adoption — that we decided to carry out further research around six months later in September 2024 to see what had changed. We significantly expanded the research sample, widening the number of countries from 10 major markets in North America, Europe, and Asia to 23 developed and emerging markets across all world regions. Of the 2,900 financial executives surveyed, 300 worked for UK-headquartered companies.

This report focuses on the results from the survey of UK-based companies. It revealed that AI has already moved on significantly in only half a year. More companies are rolling out AI, and not only within their financial reporting processes but across wider areas of finance, including accounting, financial planning, treasury management, risk management, and tax management. In addition, more companies are moving onto the “hot ticket” of generative AI.

The reasons aren't hard to uncover. Employing AI brings significant and tangible benefits, including faster, more efficient processes, more granular data analysis and accuracy, and better predictive power. This enables finance staff to get more done and faster, and to spend more time on value-adding tasks and activities.

In general UK companies do a good job of risk prioritisation, however there are still barriers to overcome, and importantly our research has indicated some critical blind spots around the transparency of AI initiatives and sustainability concerns that need to be addressed.

In all of this, there is also a key part for auditors to play. Companies expect their auditors to use AI within their own auditing processes, bringing them a smarter, more real-time, and insight-laden audit experience.

One thing is clear, the finance operations of tomorrow will be vastly different from those of today. CFOs and their teams need to be preparing the way right now.

We hope this report brings you fresh and illuminating insights that will help you in your own AI journey. To provide further assistance, we have developed a KPMG AI maturity benchmarking tool to help you assess your progress and identify further key actions to take. (See Recommendations, page 26.)

01

Research background



Survey sample

In April 2024, KPMG surveyed 1,800 companies in 10 major markets across North America, Europe, and ASPAC about their progress in using AI for financial reporting. Given the fast pace of technological change, in September 2024 we conducted a second survey of financial executives on their use of AI. To provide deeper insights, we expanded the scope of our AI research beyond financial reporting to encompass the entire finance function, including accounting, risk, tax operations, and treasury management.

We also widened the country coverage from the original 10 major markets to 23 industrialised and emerging economies in North and Latin America, Europe, Asia-Pacific, the Middle East, and Africa.

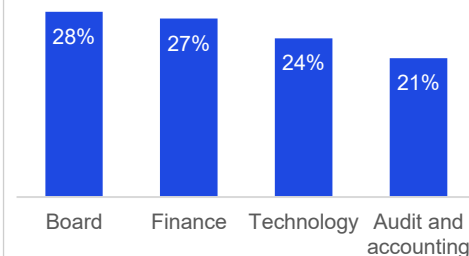
The expanded study surveyed a wider group of executives across finance at companies in the same industries and revenue sizes sampled in our April 2024 study. To conduct this broader analysis, we increased the number of respondents from 1,800 to 2,900.

Of the 2,900 financial executives surveyed in September 2024, 300 worked for UK-headquartered companies. These respondents were distributed across multiple executive titles and four general roles: board of directors, finance, technology, and audit and accounting. The respondents came from six industries and were categorised into three main revenue size groups. Nearly half were smaller firms with revenue under \$5 billion.

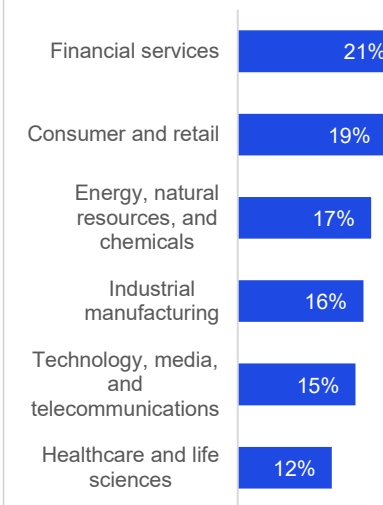
UK respondents by title

Audit Committee Director	15%
Manager	12%
Chief Financial Officer	11%
EVP/SVP/VP of Finance	10%
Head of Financial Reporting	7%
EVP/SVP/VP of Audit/Accounting	7%
Chief Information Officer	6%
Controller	6%
Chief Digital Officer	6%
Chief Data Officer	6%
Chief Technology Officer	5%
Chief Audit Executive	5%
Chief Accounting Officer	3%

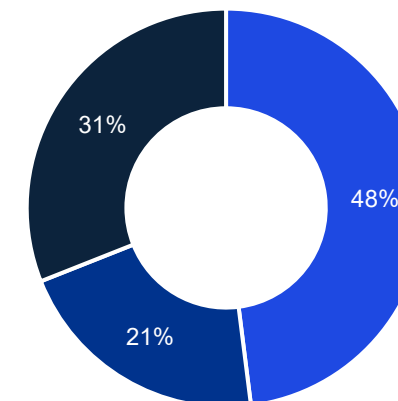
UK respondents by role



UK respondents by industry



UK respondents by revenue



- Under \$5 billion
- \$5 to \$10 billion
- More than \$10 billion

Our maturity framework

To assess progress made in using AI for financial reporting and across finance, we created an AI maturity framework based on three survey questions (see Methodology appendix for details):

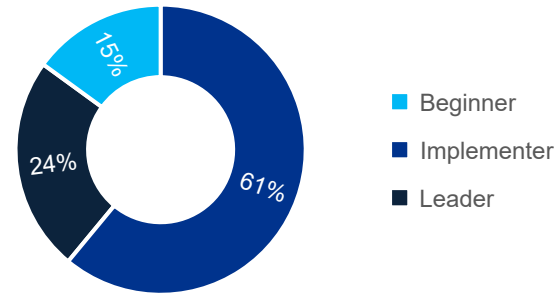
- Q8. Over the past six months, how much progress has your company made in the use of AI, specifically in financial reporting? How much progress does your company plan to make in three years?
- Q9. Over the past six months, how much progress has your company made in the use of generative AI, specifically in financial reporting? How much progress does your company plan to make in three years?
- Q13. How much progress has your organisation made in leveraging AI across the following financial areas? (risk management, treasury management, accounting, financial planning, and tax operations, reporting, and planning)

Based on their responses, we grouped the UK respondents into three categories: 15% were beginners in AI usage, 61% were implementers in an intermediate stage, and 24% were leaders.

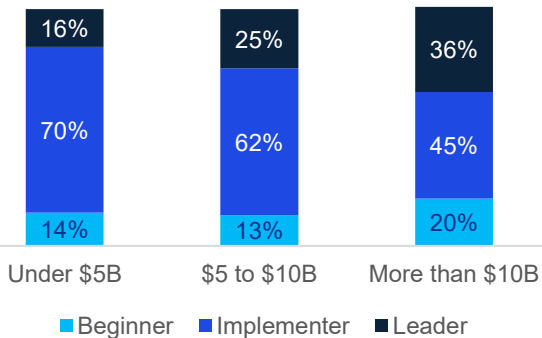
Healthcare and life sciences companies had the most leaders, at 32%, followed by financial services, with 27%, and energy and natural resources, with 25%. Technology, media, and telecommunications companies lagged, with 17%.

Larger companies are more likely to be AI leaders: 36% of those with revenue over \$10 billion qualified as leaders vs. just 16% of those with revenue under \$5 billion.

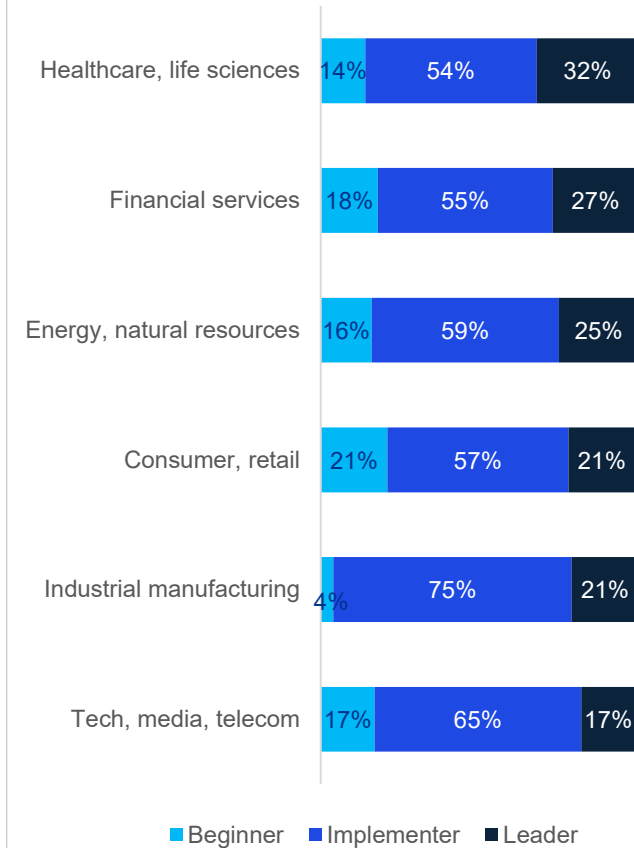
Maturity breakdown



Maturity by revenue



Maturity by industry



KPMG AI Maturity Assessment Tool: How does your organisation measure up?

01

Is your organisation a leader, implementer, or beginner?

02

KPMG has developed a diagnostic tool to help organisations assess their progress in the AI transformation journey.

03

Take our quick assessment here to see where your organisation stands.

04

This will identify strengths and weaknesses based on your answers — and highlight areas for prioritised action based on your industry.

02

Transforming finance through AI



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AI is a game-changer for finance

In companies around the world, we are seeing the birth of the AI-empowered finance team — a development that is generating a rich range of benefits to organisations. These include increased efficiency and accuracy, reduced human error, faster and better data-based decision-making, lower costs, and improved regulatory compliance.

Companies in the UK have been somewhat slower than those in some other major markets. Whilst 42% indicate they are using AI to moderate or large degree (higher than Europe and global averages), 58% are still behind the curve – with high costs and limited skills and knowledge often a barrier early in the journey.

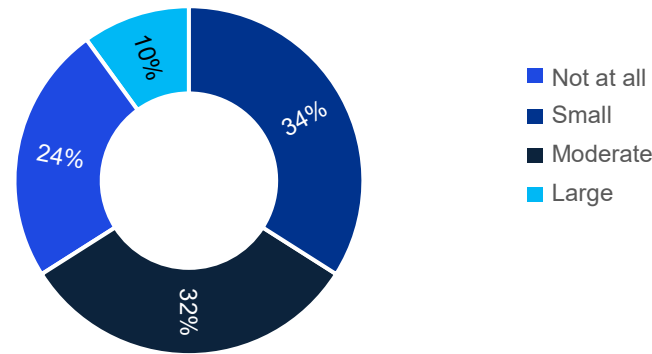
Our research shows that the use of AI is expanding across finance among companies based in the UK and AI in finance will become the norm. Those using it are already having their expectations met – with early adopters seeing a greater number of benefits and return.

“Through the use of AI, we have been able to improve the efficiency of our operations and significantly reduce costs.”

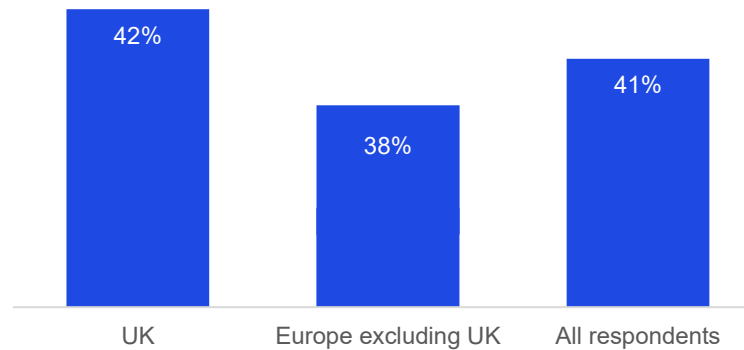
Chief Digital Officer, power and utilities company.

Q7. In general, to what degree is your company using AI in finance?

Degree to which UK companies use AI in finance



UK vs. others: moderate or large degree of usage



AI usage by country: moderate or large degree of usage

China	66%
US	62%
India	51%
Korea	49%
Germany	47%
Japan	47%
France	43%
Netherlands	43%
Switzerland	42%
UK	42%
Canada	39%
Mexico	39%
Australia	35%
Brazil	35%
Singapore	34%
Italy	32%
Dubai	23%
Spain	23%
Ireland	22%
Saudi Arabia	21%
Africa South Africa, Nigeria, Kenya	16%

UK teams are adopting AI across all finance areas

Companies based in the UK are already deploying AI in every area of finance. The financial planning and accounting teams are furthest ahead in using AI because of the benefits it brings to many of their activities, from improved data processing and financial reporting to real-time insights and predictive analysis. Currently, 58% of UK companies surveyed are piloting or planning, and 35% have actively adopted AI for financial planning and accounting.

Other areas of finance are deploying AI as well, albeit at a slightly slower pace: more than half of UK companies are now piloting or using AI for treasury and risk management.

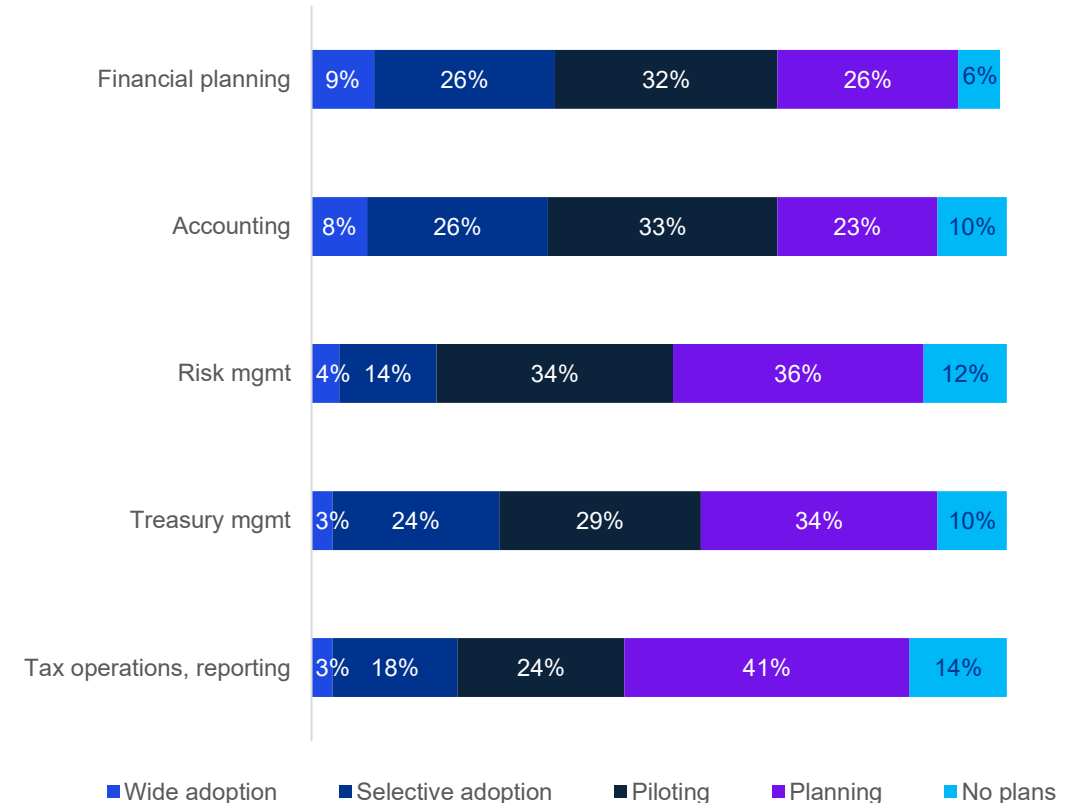
In the treasury and risk management functions, AI usage can generate better debt management, cash-flow forecasting, fraud detection, credit risk assessment, and scenario analysis.

Tax management trails behind other finance areas

Just less than half of companies are now piloting AI for tax management, with 14% indicating they have no plans currently. Progress in AI usage for tax operations has been delayed for many reasons, including complexity of tax regulations, lack of up-to-date data, onerous legacy systems, and the reliance on human judgment for many tax-related decisions.

Still, AI can support tax operations and reporting by tracking tax regulations, automating report generation and other tasks, creating audit trails, identifying tax savings, and through predictive and scenario analysis. The chief accounting officer within a UK technology company said: "Our team is using AI and automation to reduce complex taxation procedures, thereby improving our returns."

Adoption of AI in finance areas in UK companies



Q13. How much progress has your organisation made in leveraging AI across the following financial areas?

AI investments generate value and ROI

Finance teams in companies in the UK are investing in a mix of AI technologies, from chatbots and natural language processing to computer vision and anomaly detection. But they find the most value in sophisticated technologies, such as machine learning and deep learning. They also find value in robotic process automation (RPA) and in newest form of AI, Gen AI.

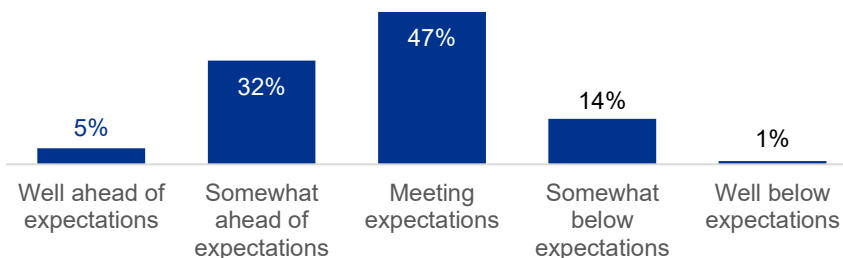
Companies use machine learning for applications such as credit scoring, risk assessment, fraud detection, and predictive analytics. Deep learning is often used for risk modeling and portfolio management, and Gen AI for content generation, scenario planning, and devising investment strategies.

Just under half of UK companies report that AI is currently meeting their expectations, with early adopters seeing more positive outcomes. As more companies continue to adopt AI in their finance function, and in different ways, we will start to get a better understanding of how AI is performing and what teams can expect to achieve. This will further propel usage across industries in the future.

“Our company leverages AI to track financial indicators, allowing us to make data-driven decisions that improve ROI,” said the chief audit officer of an industrial products company.

The focus on AI in finance is part of a bigger AI trend happening across industries. Companies in the UK on average spend 9% of their IT budgets on AI technologies and solutions. This percentage will jump to 14% over the next three years.

ROI on AI investments in finance

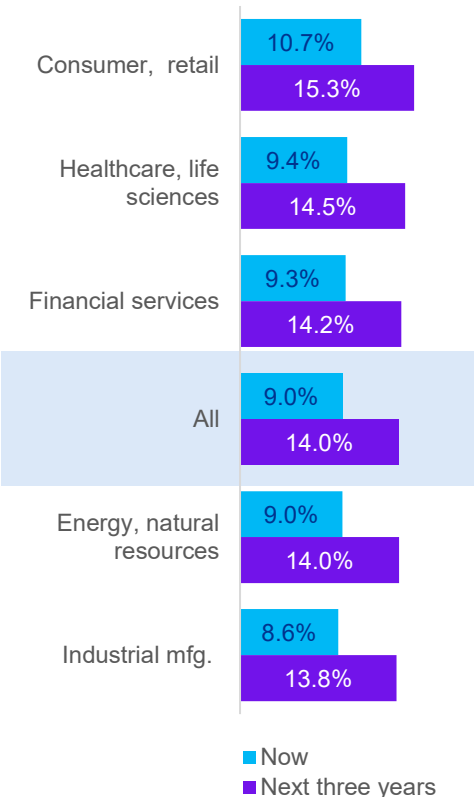


Most valuable AI technologies in finance*



*Based on a ranking index: the lower the score, the higher the value.

Average AI spending as % of IT budget by industry



Q15. What portion of your company's overall IT budget is now spent on AI-related activities and what portion does it plan to spend on AI over the next three years?

Q . In general, how well is the ROI on finance's AI initiatives meeting expectations? Q 8. How much value do you see in using the following AI technologies in your finance function? [Rank these in order of importance].

03

How AI leaders drive ROI



AI leaders secure the budget and skills to ensure success

Becoming a leader in AI usage requires the proper financial and human resources. That is why AI leaders, as defined by our AI maturity framework, among UK companies invest around 13% of their IT budgets on enterprise-wide AI activities, 37% more than other companies.

Over the next three years, that share of AI spend on company-wide activities will grow to more than 16% of the IT budget for leaders. As others play catch up, the gap between them and leaders will narrow, but leaders will remain ahead.

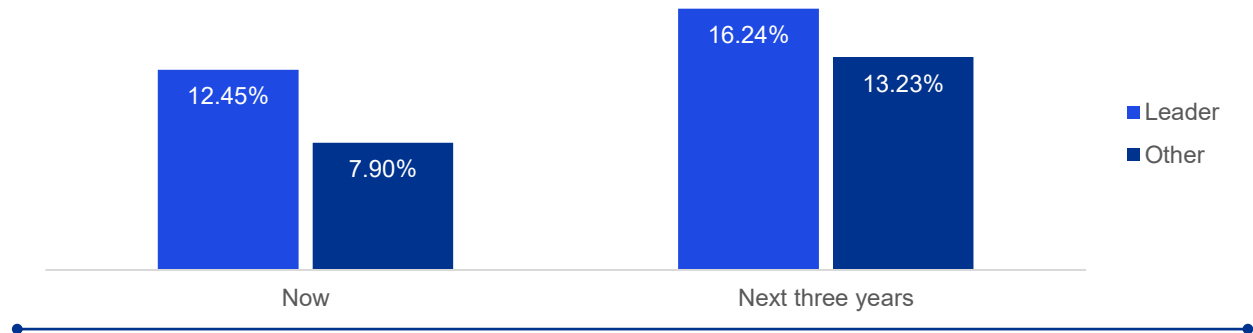
Building AI skills

AI leaders invest in the talent and skills to drive AI innovation in finance. They build up their own internal AI resources—either separately within each finance department (50%) or as part of a central AI team within the overall finance function (39%).

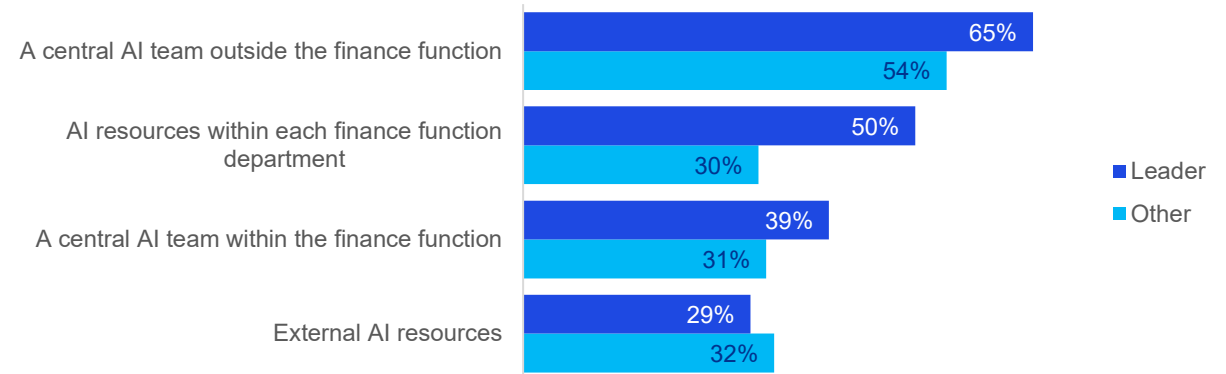
They also draw on resources from outside of finance. For two-thirds, this is a central team outside of finance. Almost 30% also tap into external AI resources, such as technology outsourcing companies or consultants.

Leaders will go far to build the needed human capacity. An industrial products company is training staff for complete proficiency in AI skills while also hiring additional AI experts. A wealth and asset management company is forming strong partnerships with external AI companies to ensure it has the best expertise.

Portion of companies' overall IT budget spent on AI-related activities



How finance resources its AI initiatives



Q14. In which of the following ways does finance resource its AI initiatives?

Q15. What portion of your company's overall IT budget is now spent on AI-related activities and what portion does it plan to spend on AI over the next three years?

Leaders generate more benefits from AI

As the use of AI in finance increases, the dividends multiply. When starting out, finance teams in UK companies report three to four benefits on average. By the time they are leaders, the number is almost seven.

Leaders see five main clusters of benefits from the use of AI in finance. The top one revolves around AI's capacity to improve the value of data: using data to predict trends, enabling better data-driven decision-making, improving the accuracy of data, and providing better ability to identify data anomalies.

Another major advantage of AI is its use of automated techniques to speed up financial activities. This gives executives quicker access to critical information, such as real-time risk insights, along with the ability to report results faster and more frequently.

In addition to boosting data quality and speed, AI enables financial teams to reduce costs through more efficient processes and to spur more operational effectiveness and transparency. These benefits accrue to the staff, which become more productive by offloading time-consuming work to machines. They also see an increase in skills due to the use of AI assistants. And by creating a productive and efficient workplace, the finance department is better able to attract and retain staff.

Average number of benefits seen by UK finance teams



Q17. Which benefits has your company seen from its current use of AI in finance and which benefits does it expect to see in three years?

Five main benefits from using AI in finance

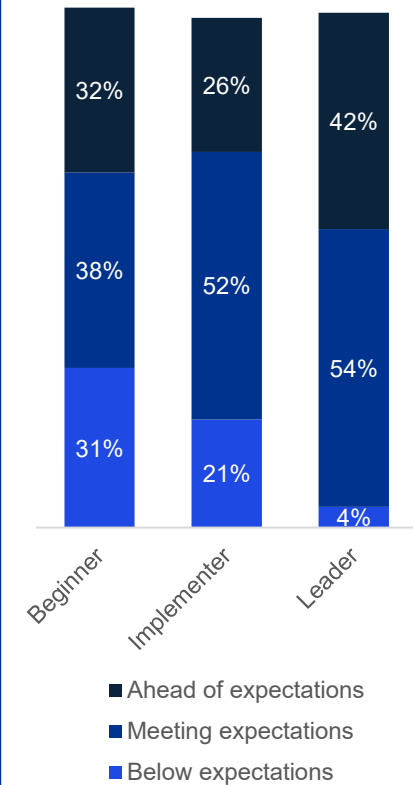
	Leader	Other
Better data and decisions		
Ability to predict trends and impacts	68%	44%
Better data-enabled decisions	68%	45%
Increased data accuracy and reliability	60%	39%
Greater ability to identify data outliers and anomalies	35%	24%
Faster insights and reporting		
Faster quarterly and year-end reporting	53%	26%
Real-time insights into risks, fraud	49%	39%
Faster access to relevant information and data	47%	23%
Lower costs and inefficiencies		
Lower costs	36%	34%
Increased employee efficiency and productivity	36%	32%
Improved operations		
Increased visibility into end-to-end processes	54%	30%
Improved operational effectiveness	25%	14%
Greater skills and talent		
Enhanced staff skills due to AI assistants	40%	25%
Ability to attract and retain talent	40%	29%
Prepare employees for AI-assisted working	15%	8%

Leaders drive greater ROI from AI

Just as the benefits from AI increase with its usage, so does the return on investment. This can be seen in the reported results: 42% of UK AI leaders report higher-than-expected ROI on AI, compared with 26% of implementers and 32% of beginners. Here are some of the leading ways that AI benefits are driving ROI, according to surveyed executives from UK companies:

Better data and decisions	Lower costs/efficiencies	Reduced risks	Higher staff skills
<p>“To stay ahead of the competition, we use AI to analyse vast amounts of data and to automate financial reporting, providing regular financial analysis and boosting ROI.” Semiconductor company</p> <p>“AI provides valuable insights and recommendations based on data analysis, improving the accuracy of financial decisions.” Power and utilities company</p> <p>“AI algorithms can identify subtle patterns and trends in data, making predictions and decisions more accurate.” Transport/logistic company</p>	<p>“AI-driven analytics can help identify cost-effective suppliers and negotiate better terms, leading to significant savings.” Consumer goods company</p> <p>“Reducing operation cost with better resource allocation is now possible for us with the integration of AI.” Automotive company</p> <p>“Our AI-driven financial audits have reduced the time spent on audits and increased our efficiency and accuracy.” Aerospace company</p>	<p>“AI is integrated into the budgeting and fraud prevention workflows to drive efficiency and minimise financial risks.” Software company</p> <p>“We utilise AI to detect and prevent fraud in financial processes and to analyse the risks associated with transactions and investments.” Retail company</p> <p>“We use AI to minimise the risks of project delays and resource overspends.” Industrial products company</p>	<p>“Our team is actively planning to provide expert training in AI skills, which will be critical to achieving our goals.” Consumer goods company</p> <p>“Our investment in AI training is aimed at enhancing the skills of our team and keeping them up to date with the latest developments in the field of AI.” Financial services company</p> <p>“In collaboration with the HR team, we have organised training and activities to encourage the use of advanced AI tools.” Semiconductor company</p>

ROI expectations met



Q . In general, how well is the ROI on finance's AI initiatives meeting expectations? Q 7. Which benefits has your company seen from its current use of AI in finance and which benefits does it expect to see in three years?

04

Overcoming barriers to AI usage

Obstacles exist to adopting AI in finance

AI adoption in finance doesn't always come easily for companies. AI systems contain vast amounts of sensitive data which could make them more susceptible to data breaches. As AI systems are integrated with other components, such as cloud services and APIs, there are concerns about the number of entry points a hacker could potentially exploit. For these reasons, more than half of UK finance executives surveyed cite data security as a top challenge.

Limited AI skills, cited by nearly half of executives, is another hurdle. A CTO with an insurance company said: "Results [from using AI] fell short of expectations because we lacked the necessary skills and a proper strategy."

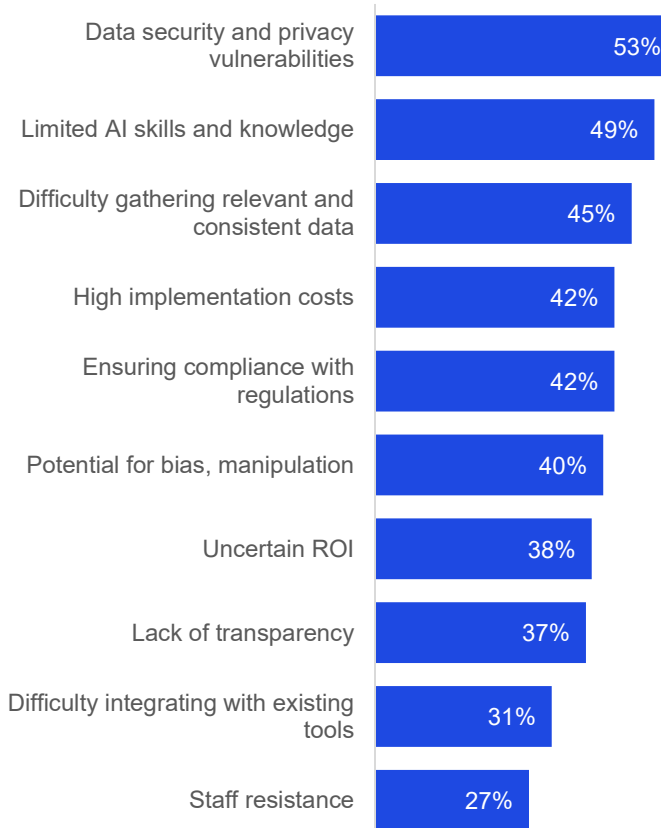
Alongside more technical aspects, such as consistency of data and transparency of AI solutions, high costs continue to trouble many. Ensuring compliance with regulations can be equally daunting. A chief digital officer with an industrial products company said: "We faced many challenges in managing sensitive financial data and ensuring that AI systems met data security and privacy regulations."

Hurdles morph along the AI journey

Barriers shift as UK companies mature in the use of AI. In early stages, limited skills, high costs, potential for bias, and uncertain ROI dominate. Other hurdles stay constant, such as data security, compliance with regulations, and staff resistance to change. As companies expand their use of AI, difficulty gathering relevant data and integrating AI with existing tools become more problematic.

Q 9. What are the biggest barriers to your company's adoption of AI in finance?

Biggest barriers to adoption of AI



Barriers UK companies face early in AI journey

- Limited AI skills and knowledge
- High implementation costs/inadequate funding
- Potential for bias, manipulation
- Uncertain ROI
- Lack of transparency

Barriers that remain constant

- Data security
- Ensuring compliance with regulations
- Staff resistance to change

Barriers UK leaders face later in the journey

- Difficulty gathering relevant data
- Difficulty integrating with existing tools

Our research reveals critical blind spots

When implementing AI solutions across finance operations, executives naturally want to focus their attention on the chief areas of concern.

In general, UK companies do a good job at risk prioritisation. Our research shows that most pay higher attention to the attributes of AI adoption that they consider most important — privacy, and data security and integrity. They pay the least attention to the issues they consider to be less vital, such as explainability and fairness.

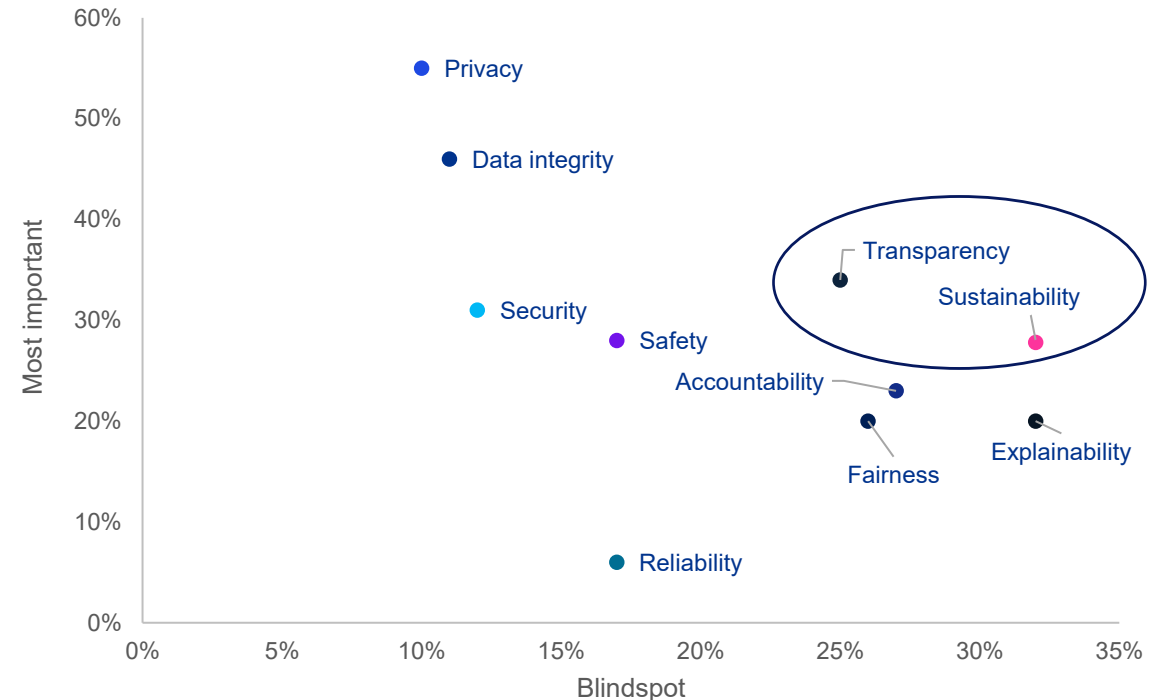
Blind spots to avoid

However, our correlation analysis reveals critical blind spots — areas of importance that may require further attention. One of the biggest is around the transparency of AI initiatives. Because of AI’s “black box” nature, stakeholders are unsure whether to trust its results. For example, a manager with an oil and gas company noted that the data they receive from AI tends to be biased.

AI and sustainability

Sustainability is another glaring blind spot. The high energy consumption that AI usage requires means that sustainability concerns must also be addressed head on — particularly as companies’ journey toward net zero continues. Yet AI is a double-edged sword: it can undermine sustainability but can also be used to improve it. By optimising processes and enhancing resource efficiency, AI can help to limit a company’s carbon footprint.

Most important AI attributes vs. biggest blind spots (UK companies)



Q 8. Which of the following attributes are most important to your company's adoption of AI and which are the biggest blind spots (receiving less attention)?

Leaders do more to overcome AI challenges

Financial executives see many common barriers and concerns when drawing on AI — but AI leaders generally take more steps, and in greater numbers, to overcome them.

More than two-thirds of UK-based leaders develop principles and guidelines on the responsible use of AI. By doing so, they provide the guardrails that allow their organisations to safely innovate and learn.

More than half of both leaders and others involve their tech leaderships in systems integration plans to promote AI enablement. But AI leaders are more apt to pilot AI initiatives and build better systems for gathering and integrating data. Leaders are also more likely to create digital processes to keep up with regulatory and compliance changes.

People and process

AI leaders do not stop there. They conduct change management and education programs to provide their teams with the AI skills and innovation mindsets that they will need to succeed.

The CFO of a manufacturer of medical devices said: “Our team stays updated on the latest innovations in the market, ensuring that we can adapt our technology in a timely manner to keep pace with evolving trends and maintain a competitive edge.” And more leaders than others invest in developing or acquiring needed AI skills.

Q19a. Which of the following steps is your company taking now or planning to take to overcome these barriers to AI adoption?

Top steps UK leaders take to overcome barriers to AI adoption

	Leader	Other
Develop corporate principles and guidelines on the responsible use of AI	67%	56%
Involve technology leadership in systems integration to promote AI enablement	54%	54%
Pilot AI initiatives or implement AI limited use cases first to validate ROI	47%	33%
Create digital processes to keep up with regulatory and compliance changes	44%	39%
Build better systems for gathering, integrating, and sharing data	44%	34%
Increase AI budgets or shift funds from other activities	42%	41%
Conduct change management and educational activities	42%	37%
Invest in developing and acquiring AI skills and talent	36%	30%
Shift to modern IT platforms to facilitate AI innovation	33%	32%

05

Shifts in financial reporting



AI in reporting advances in just six months

While adoption of AI is spreading across finance, it is in financial reporting where some of the most notable progress has been made. From April to September 2024, the use of AI in reporting expanded in six of the 10 major industrialised markets surveyed.

Growth in usage in financial reporting among UK companies was slower than in other industrialised countries: selective or wide adoption increased only slightly, from 32% of respondents in April to 34% in September. Nonetheless, this still placed the UK in third position in AI adoption for reporting among the 10 major markets.

Active use of AI

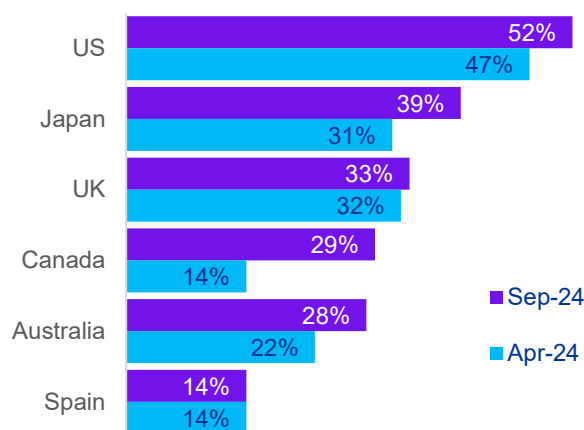
The share of UK companies actively using both traditional AI and Gen AI to enhance financial reporting has grown. For traditional AI, it has increased from 39% of companies in April to 45% in September.

Although still early days, use of Gen AI increased from 11% in April to 16% in September (yet 28% of AI leaders are actively using it). While this increase is modest, it is noteworthy over such a short period of time. With nearly half of companies prioritising Gen AI for future use in reporting, it is clearly set to grow rapidly and become almost a mandatory feature in any finance organisation's AI toolkit.

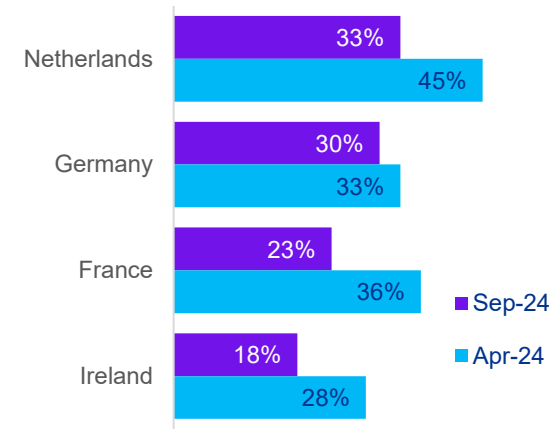
The share of UK companies using traditional AI to enhance financial reporting grew to **45%** in September from **39%** in April.

Selective or wide adoption of AI in financial reporting: 10 top markets

Where progress has accelerated



Where progress has slowed



Use of technologies to enhance financial reporting (UK companies)

	% using April 2024	% using Sept. 2024	% prioritising future use April 2024	% prioritising future use Sept. 2024
Traditional AI	39%	45%	34%	39%
Generative AI	11%	16%	41%	46%

Q8. Over the past six months, how much progress has your company made in the use of AI, specifically in financial reporting?

Q10. Which of the following technologies is your company currently using to enhance financial reporting? Which technologies will you prioritise over the next year?

Adoption of AI will jump in three years

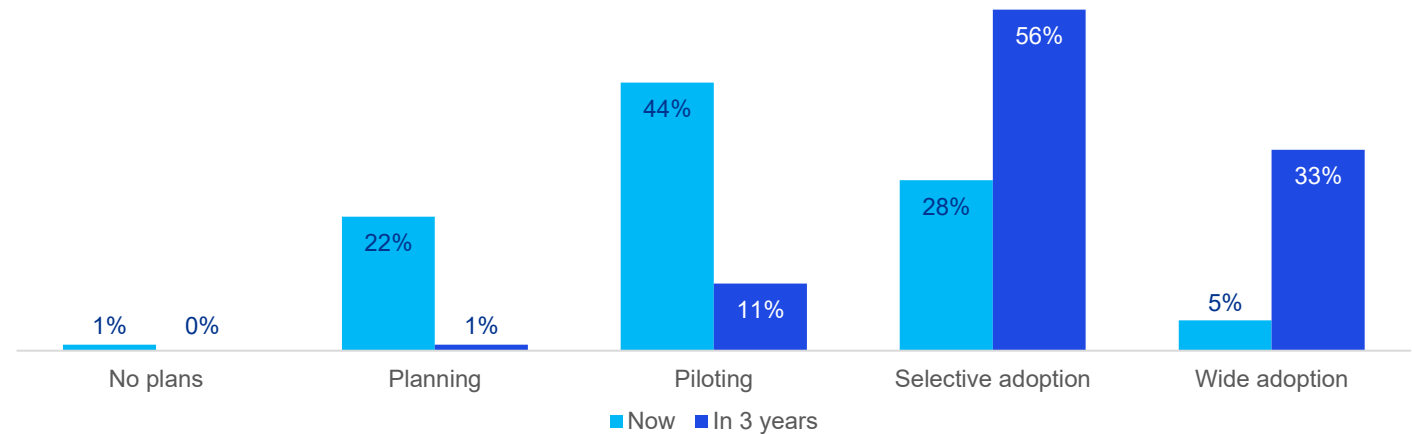
UK-based companies will continue to expand their use of AI in financial reporting over the next three years, when a robust 89% will have selectively or widely adopted it vs. 33% in September 2024.

This is more than the average for the other European countries (81%) and substantially more than the average for all countries in the global survey, which revealed that 77% would be using AI selectively or widely in financial reporting in three years.

An EVP with an automotive company said they use AI to provide more accurate forecasts and timely budget reporting. The chief digital officer with a financial services company said he uses it to prevent discrepancies in the financial reports. Another, the chief accounting officer with a tech company, said he employed AI to minimise human error in making financial reports and to reduce organisational complexities through automation.

The share of UK companies selectively or widely adopting AI will increase to 89% in three years from 33% in September 2024.

Progress is using AI in financial reporting



Selective/wide adoption of AI in financial reporting, UK vs. Europe (excluding UK) and all countries

	Now	In 3 years
UK	33%	89%
Europe (excluding UK)	26%	81%
All	23%	77%

Q8. Over the past six months, how much progress has your company made in the use of AI, specifically in financial reporting? How much progress does it plan to make in three years?

Use of Gen AI in reporting will also soar

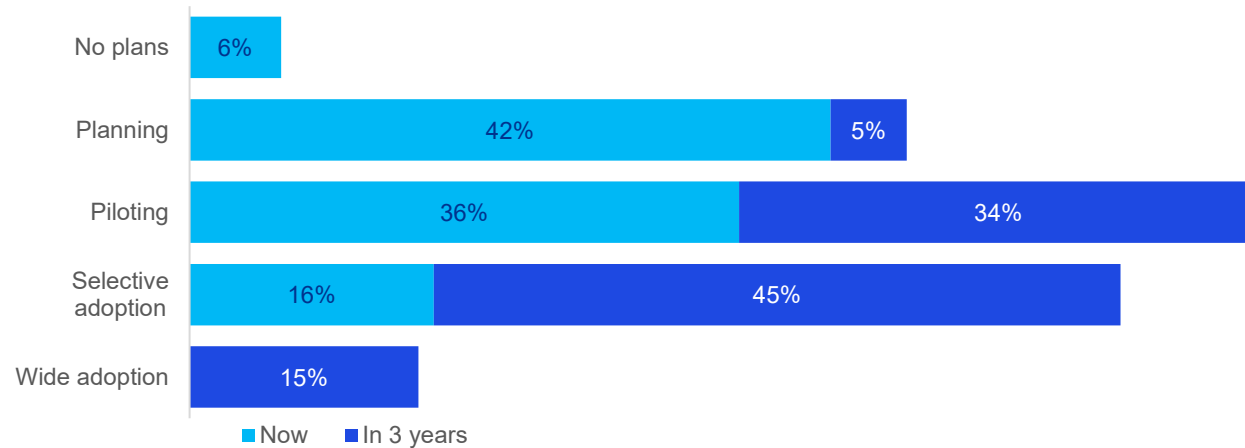
Gen AI has become the “hot ticket” in the AI arena, fomenting huge interest and discussion. However, Gen AI presents unique challenges and is more complex than some forms of traditional AI to embed into processes. For these reasons, and because it is a newer form of AI, it is tracking behind traditional AI in adoption.

Nonetheless, Gen AI is firmly on the agenda for financial reporting among UK companies. More than half are piloting or selectively using Gen AI already, and 42% plan to use it in the future. In three years, 95% of companies will be piloting or actively using Gen AI for reporting.

UK companies are slightly ahead of their peers elsewhere in Europe and globally in selectively or widely adopting Gen AI in reporting. Sixteen percent have selectively or widely adopted it vs. 12% of companies elsewhere in Europe, and 13% among all countries surveyed.

Usage is expected to jump significantly for all groups over the next three years, portending the dramatic shifts to come for AI in finance.

Progress in using Gen AI for financial reporting



Selective/wide adoption of Gen AI in financial reporting, UK vs. Europe (excluding UK) and all countries

	Now	Three years
UK	16%	60%
Europe (excluding UK)	12%	53%
All	13%	56%

Q9. Over the past six months, how much progress has your company made in the use of generative AI, specifically in financial reporting? How much progress does your company plan to make in three years?

Leaders set the example for AI in reporting

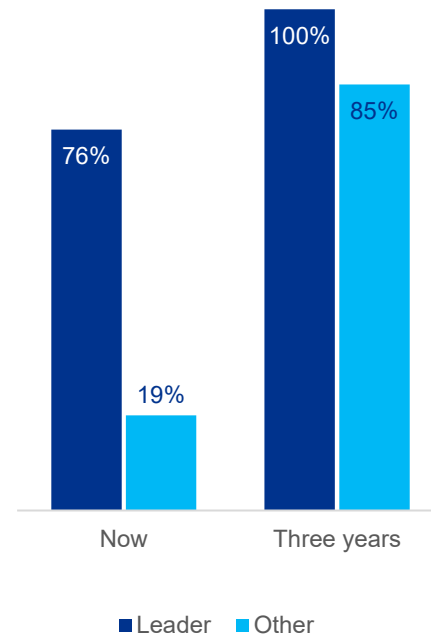
AI leaders are far ahead in deploying AI in financial reporting, and this includes Gen AI.

More than three-quarters of leaders have selectively or widely adopted AI in reporting, four times the share of others. Over the next three years, others will catch up dramatically — but leaders will still be ahead, with 100% adopting AI.

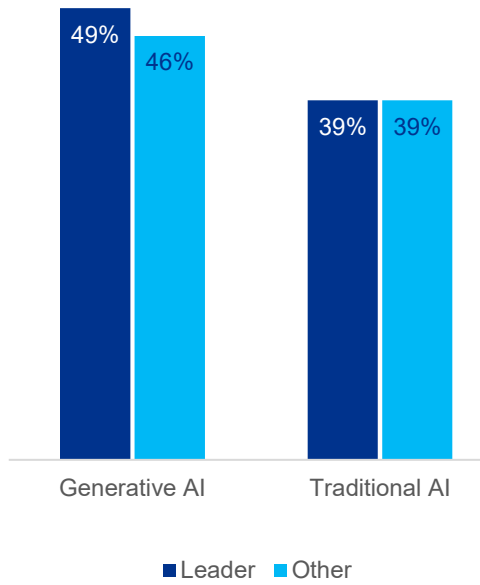
Four out of 10 UK leaders have selectively or widely adopted Gen AI in financial reporting, compared to a mere 8% of others. However, a similar share of leaders (49%) and others (46%) are prioritising Gen AI for financial reporting over the next year. Fewer will prioritise traditional AI, largely because many have already adopted it.

As a result, 88% of AI leaders expect to have selectively or widely adopted Gen AI in financial reporting in three years — vs. 52% of others. Given Gen AI’s power to enhance a range of financial reporting activities, from automated report generation to faster data insights and predictive and scenario analysis, AI leaders will have an advantage over others in the next era of AI.

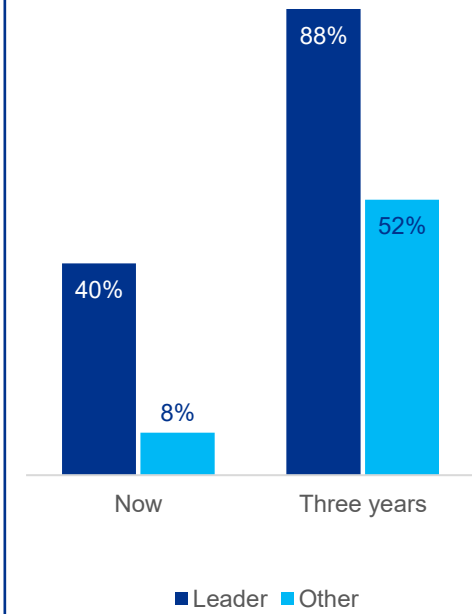
Progress in AI use for financial reporting by maturity (selective and wide adoption)



Technologies that will be prioritised over the next year



Progress in Gen AI use for financial reporting by maturity (selective and wide adoption)



- Q8. Over the past six months, how much progress has your company made in the use of AI, specifically in financial reporting? How much progress does your company plan to make in three years?
 Q9. Over the past six months, how much progress has your company made in the use of generative AI, specifically in financial reporting? How much progress does your company plan to make in three years?
 Q10. Which of the following technologies is your company currently using to enhance financial reporting? Which technologies will you prioritise over the next year?

UK companies want auditor support on AI

As companies make progress in harnessing AI for financial reporting, they often require more support from external auditors, particularly around governance and controls.

Our research finds that most UK-based companies expect their auditors to conduct a detailed review of their control environment to ensure the responsible use of AI for reporting. Many also would look for third party assurance of their AI governance maturity, and third-party attestation over the use of AI technology. A smaller share would welcome readiness/gap assessments.

Many companies expect auditors to get on board

Just over half of UK companies also want their auditors to utilise AI tools for their own activities. The most common activities cited are data analysis, risk mitigation, fraud detection, predictive analysis, and risk identification. There is also a desire for auditors to speed up the auditing process and move to real-time auditing that will help companies manage their risks more proactively throughout the year.

Crucially, many finance executives want more communication relating to AI from their external auditors. This is not surprising, since both parties need to work closely together to ensure an effective and responsible use of AI during the reporting process.

AI leaders especially want their auditors to step up. Right now, only 15% of leaders say their auditor communicates frequently with them about AI — but 53% would like them to. Other companies would also like more communication. Half of them rarely or never receive communication — yet more than nine out of 10 would like to talk at least occasionally.

Q22. How often does your external audit partner communicate now about AI and generative AI? How often would you like your audit partner to communicate?

Q23. How important is the use of AI, automation, and data analytics for the work performed by your external auditor?

Q24. Which of the following activities would you like your external auditor to conduct for your organisation using traditional AI and generative AI?

Q26. What role would you expect/want your external auditor to play in evaluating your company's responsible use of AI in financial reporting?

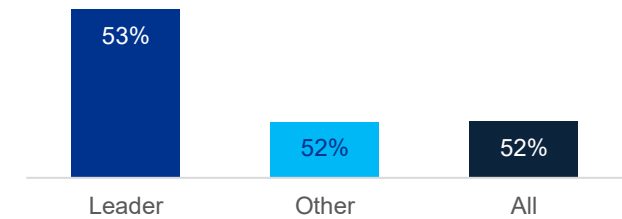
Role expected of external auditors

More detailed review of control environment	66%
AI governance maturity assessment	46%
Third-party attestation over the use of AI technology	33%
Readiness/gap assessment	22%

Audit partner communication about AI

		Leader	Other
Now	Never	0%	2%
	Rarely	24%	48%
	Occasionally	61%	46%
	Frequently	15%	4%
Would like	Rarely	1%	9%
	Occasionally	46%	61%
	Frequently	53%	30%

Importance of auditors using AI for their own work (moderately to very important)



Top 10 activities that companies want auditors to conduct with AI

	Trad	Gen
Data analysis	63%	48%
Risk mitigation	60%	46%
Fraud detection	53%	46%
Predictive analysis	52%	31%
Risk identification	51%	48%
Speed auditing	45%	28%
Document gathering	38%	36%
Real-time auditing	37%	34%
Value-added insights	37%	33%
Analyse trends	34%	36%

06

Calls to action



Recommendations

01

Recognise how the use of AI in the finance function can improve the quality and speed of financial analysis. They should follow the example of AI leaders in our study by implementing a wide range of use cases. These should include not just basic use cases around data entry and administrative processes, but also higher-order tasks around research, risk management, cybersecurity, fraud detection, and predictive analysis.

02

With the use of Gen AI spreading exponentially, companies should have a well-thought-out strategy and implementation plan for its use in finance. These plans should include actively testing and refining use cases that leverage the power of Gen AI, such as composing financial reports and summaries. They should also stay mindful of Gen AI's limitations around data security, sovereignty, accuracy, and copyright and intellectual property.

03

CFOs should make sure their teams think beyond accounting and financial reporting when applying AI. While AI is currently most commonly used in accounting and financial reporting, its use is spreading across finance. Most AI leaders are already using the technology to optimise financial planning, treasury management, tax operations, and risk management, as well as to drive ROI across their departments.

04

Staying ahead in AI is not just about technology, it is also about people. To fully embed AI into their financial activities, financial management teams need to go beyond drawing on AI support from outside their department. That means staffing up with AI specialists within finance, while providing training on the use of AI to the general financial staff. Using AI to improve the productivity, engagement, and retention of the staff should be top of mind.



Recommendations

05

The lack of AI skills, inconsistent data, high costs, and data security and privacy concerns often hold companies back from fully leveraging AI in finance. To overcome these barriers, financial management teams should act early to establish AI guidelines and governance mechanisms, create digital processes to meet regulatory requirements, and shift to modern IT platforms that facilitate AI. Crucially, financial teams should pilot AI initiatives to validate ROI and ensure effectiveness before scaling these solutions across the department.

06

When implementing AI in finance, financial teams should stay aware of potential blind spots that will require management attention. Because of the complexity of AI algorithms and the “black box” nature of AI solutions, transparency is a common blind spot that, if left unattended, could lead to a loss of trust and accountability. Sustainability is another area often overlooked, even though a spike in AI-driven data consumption can boost carbon footprints.

07

Companies should engage with others as they build an AI-empowered finance function. To be successful, auditors not only should have a superior understanding of a company’s use of AI but should be in regular communication with the financial team on how it can be used to improve the quality of financial reporting. Companies should look to third-party assurance providers to help ensure an effective control environment. Critically, they should push their auditors to use AI in their own data analysis and risk detection activities.

07

Research methodology



AI in Finance maturity framework

The AI in Finance maturity curve is based on the following three questions:

Q8. Over the past six months, how much progress has your company made in the use of AI, specifically in financial reporting? How much progress does your company plan to make in three years?

- **No plans:** Do not have plans to use AI for financial reporting
- **Planning:** Considering how to use AI for financial reporting
- **Piloting:** Conducting AI pilots for financial reporting and evaluating results
- **Selective adoption:** Using AI across one or two areas of financial reporting
- **Wide adoption:** Using AI for a variety of areas of financial reporting

Q9. Over the past six months, how much progress has your company made in the use of generative AI, specifically in financial reporting? How much progress does your company plan to make in three years? (Same answer options as in Q8.)

Q13. How much progress has your organisation made in leveraging AI across the following financial areas? Select one for each financial area. (Same answer options as Q8.)

- Risk management
- Treasury management
- Accounting
- Financial planning
- Tax operations, reporting, and planning

Plus, we used an additional filter based on:

Q20. Which of the following actions around AI governance has your company already taken or plans to take over the next year?

- Adopt and/or publish an AI framework to guide implementation and usage
- Include some form of AI controls assurance (e.g., readiness/gap assessment, SOC, certification, other attestation) in the scope for reports for vendors or third-party processors
- Include AI risks and associated controls within the scope of our financial reporting processes
- Request or consider requesting certification or attestation reports (SOC, third-party certification, etc.) that include AI processes and control objectives
- Procure third-party controls assurance over our AI processes and controls

AI in Finance maturity framework

Step 1 — Calculate the AI and reporting maturity score

The first step of the index was to calculate the AI and reporting maturity score. This score was based on Q8 (traditional AI) and Q9 (Gen AI). Each question was scored as follows:

- **No plans:** 0 points.
- **Planning:** 1 point.
- **Piloting:** 5 points.
- **Selective adoption:** 10 points.
- **Wide adoption:** 20 points.

The overall AI and reporting maturity score was calculated by taking the average of the scores for Q8 and Q9.

Step 2 — Combine the AI and reporting maturity score with Q13

The next step was to combine the AI and reporting maturity score with the data from Q13, which looked at the use of AI across key areas within the finance function: risk management, treasury management, accounting, financial planning, and tax operations, reporting, and planning. Each area of Q13 was scored as follows:

- **No plans:** 0 points.
- **Planning:** 1 point.
- **Piloting:** 5 points.
- **Selective adoption:** 10 points.
- **Wide adoption:** 20 points.

The overall AI in finance maturity score was calculated by taking the average score across each of the key areas within finance plus the AI and reporting score (calculated in step 1). The average score was then normalised to be between 0 and 100 by dividing the score by 20. The minimum index value was 5 and the maximum was 95.8, with an average score of 26.0 and median score of 21.7.

AI in Finance maturity framework

Step 3 — Classify each respondent

The next step was to classify each respondent into one of the following categories: beginner, implementer, and leader.

Beginners had an index value of less or equal to 13.33, implementers had an index value greater than 13.33 and less than 30.83, and leaders had an index value greater than or equal to 30.83.

Step 4 — Apply governance filter

To be considered a leader, a firm also had to be advanced in governing the use of AI in their organisation. We applied an additional filter based on the following question:

Q20. Which of the following actions around AI governance has your company already taken or plans to take over the next year?

- Adopt and/or publish an AI framework to guide implementation and usage.
- Include some form of AI controls assurance (e.g., readiness/gap assessment, SOC, certification, other attestation) in the scope for reports for vendors or third-party processors.
- Include AI risks and associated controls within the scope of our financial reporting processes.
- Request or consider requesting certification or attestation reports (SOC, third-party certification, etc.) that include AI processes and control objectives.
- Procure third-party controls assurance over our AI processes and controls.
- Don't know/none of the above/not applicable.

To be considered a leader, a respondent had to have an index value greater than or equal to 30.83 and must at least include some form of AI controls assurance based on Q20. Firms that had a score greater than or equal to 30.83 and have only adopted and/or published an AI framework, were classified as an implementer.

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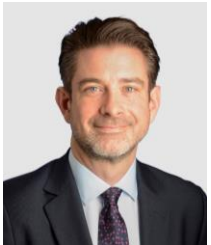


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