



AI in Audit Survey

Survey Report
October 2023

Objectives and methodology

Objective: To understand how AI is transforming financial reporting, challenges facing effective adoption, and expectations of the external auditor.

The survey focused on determining how financial reporting functions are driving AI adoption, including the expected benefits, challenges, and outcomes on financial reporting, talent, and more. Importantly, it also analyzes financial reporting leaders' expectations for external auditors today and tomorrow.

Methodology: This survey was fielded online among n=210 business decision makers in the U.S.

The audience was screened for the following:

- U.S. based business decision makers—all VP and above
- Finance-focused business functions who have authority, oversight, etc. for financial reporting, accounting, analysis, audits, and financial information.
- Target titles:
 - Chief Financial Officer
 - Controller
 - Chief Audit Executive
 - Chief Accounting Officer
 - Head of Financial Reporting
 - EVP/SVP/VP of Audit
 - EVP/SVP/VP of Finance
- Organizations with \$1B or more in annual revenue and 500 or more employees
- Excluding those who work in government, not for profits, and education

Data was collected between July 24 – August 4, 2023.

Summary of findings



Increased use of AI is expected to attract more talent to grow and augment accounting and auditing teams



Key AI benefits focus on anomaly detection, efficiency, and accuracy with fewer focused on using AI to deal with staff shortages or cost savings



Financial reporting functions are well-positioned to scale their use of AI and GenAI



Expected AI and GenAI benefits come with risks and there is an appetite for third-party attestations and reviews to mitigate these risks



Financial reporting functions will accelerate AI adoption and GenAI is a top priority, but they are cautiously optimistic about GenAI hype



There is an expectation that external auditors will use AI and GenAI to quickly and effectively improve the quality of audits

Key findings



Increased use of AI is expected to attract more talent to grow and augment accounting and auditing teams

- Just over half of respondents (55%) do not expect AI to take over financial reporting jobs. They anticipate that AI will grow their teams and augment their skills. However, 4 in 10 (39%) think it will reduce team size due to increased efficiency.
- Half (52%) of companies also expect increased use of AI will help them attract more talent to the financial reporting function, while 4 in 10 (41%) think it will not have an impact.
- Nearly all have a perspective about AI's impact on DEI, with just over half (55%) thinking it will not positively affect DEI and a third (38%) believing it will—a very small number (6%) think that it can have a negative impact.



Financial reporting functions are well-positioned to scale their use of AI and GenAI

- Two-thirds (65%) are already using AI in the financial reporting function, including a third (36%) that are using it extensively and a quarter (29%) using more selectively (in 1-2 areas).
- Half (49%) are already piloting or deploying GenAI and another third (37%) are in the research and planning phase.
- Virtually all boards have engaged on the topic of AI in the past 6 months.
- However, smaller companies (<5,000 employees) are behind in using AI for their financial reporting, with only quarter (28%) that use it now vs. three quarters (72%) of large (5K-10K employees) and nearly all (92%) of very large companies (more than 10K employees).

Key findings



Financial reporting functions will accelerate AI adoption and GenAI is a top priority, but they are cautiously optimistic about GenAI hype

- A majority (70%) of companies expect to roll out AI more broadly over the next 2 years and two-thirds (62%) plan to increase investment over the next year (38% will maintain current spending).
- GenAI is a top priority for financial reporting, but businesses are also maintaining their focus on ‘building block’ technologies: cloud migration, data & analytics, and RPA.
- Just about half (47%) agree that GenAI will deliver on the “hype” and provide meaningful value. Skepticism of GenAI’s value is much more pronounced among those that haven’t used/just beginning to use AI in their reporting functions.



Key AI benefits focus on anomaly detection, efficiency and accuracy, and increasing transparency around finance processes. Fewer expect AI to address staff shortages or cost savings

- Around three quarters of companies expect to use a combination of different AI functions to make an impact on their financial reporting, including: anomaly detection, RPA, and GenAI.
- The top benefits that AI can bring to financial reporting include employee efficiency and lessening the burden on them, improving data accuracy, and increasing visibility across financial reporting processes.

Key findings



Expected AI and GenAI benefits come with risks and there is an appetite for third-party attestations and reviews to mitigate these risks

- Most companies have concerns about AI and GenAI risks, more often around visibility and overreliance on algorithms, keeping up with changing regulations, and data quality and bias.
- 6 in 10 (61%) say they have already implemented some risk mitigation (developed a strategy, have a dedicated team) to address these risks.
- Two-thirds (65%) of companies are looking to their external auditors to help with AI risks, most notably through a detailed review of their AI control environment.
- Half (51%) think third-party attestation of AI will be beneficial, but nearly as many (46%) are unsure about the value of this service.



There is an expectation that external auditors will use AI and GenAI to quickly and effectively improve the quality of audits

- Most (72%) believe that auditors are ahead of them when it comes to leveraging AI for financial reporting analysis and they think it is important that auditors are using AI.
- Most companies expect auditors to use AI and GenAI to challenge their assumptions and to identify what they are overlooking through anomaly detection.
- Companies believe it's important that AI be used to boost auditor insightfulness and speed of delivery as well as provide further insight to auditors about how to reduce their costs.



AI + Talent

39%

Reduce team size due to efficiencies

34%

Augment skills needed but maintain similar # of people

21%

Grow team size by enhancing value

6%

I am not sure

55% don't think AI will shrink their teams.



Will the increasing use of AI attract more talent?

52%

Yes

42%

No

6%

Not sure

52% are optimistic that AI will attract more talent to financial reporting.



Status of using AI in financial reporting

36%

Use across many areas

29%

Use AI across 1–2 areas

11%

Still piloting AI

6%

Considering how to pilot AI

18%

Do not use AI

65% are using AI in financial reporting



Adoption of GenAI in financial reporting

27%

Deployed

21%

Piloting

21%

Researching

16%

Planning

10%

Not using
or considering

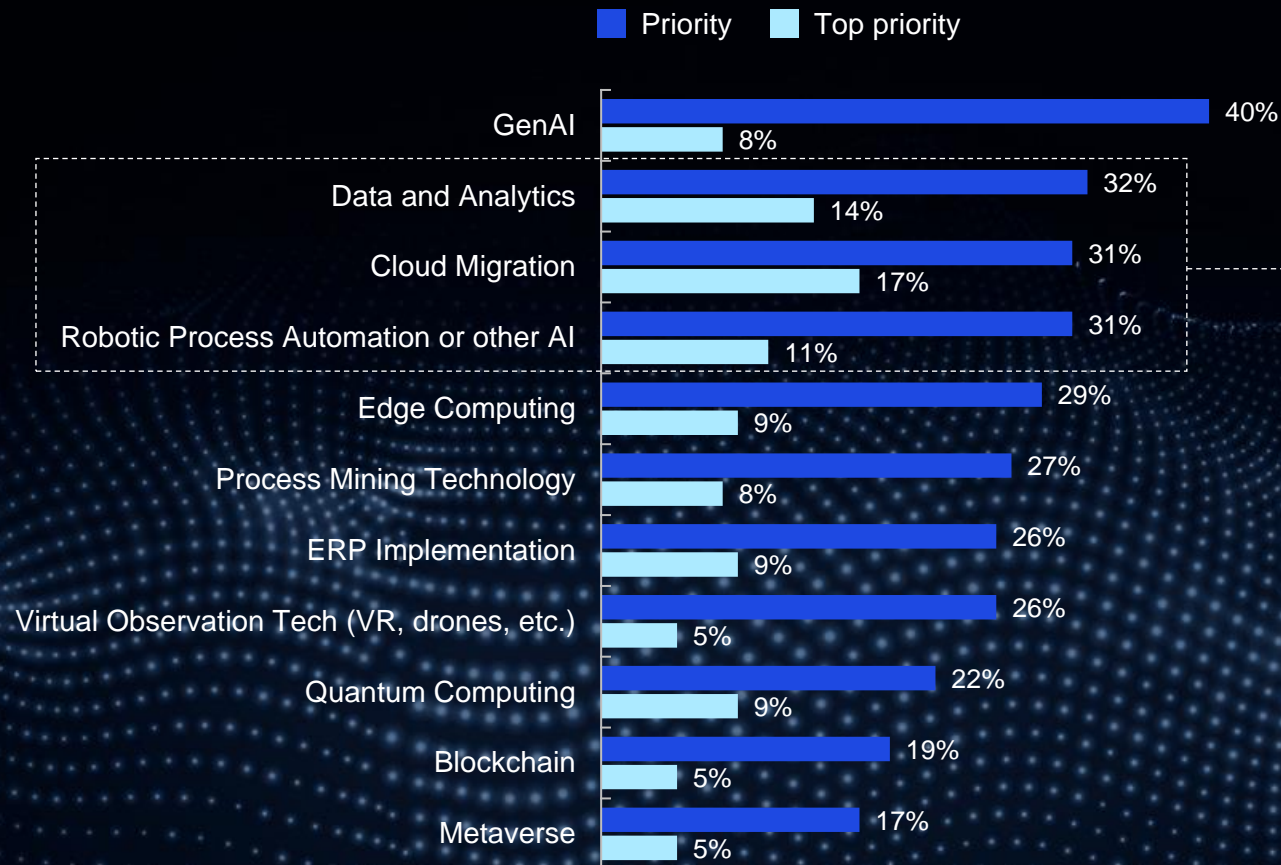
4%

Do not allow
employees to use

**49% have deployed
or are piloting GenAI**



Top technologies focusing on to support financial reporting



Top 3 priorities



Expected timeframe to roll out **AI** solutions for financial reporting

34%

Within two years

25%

Within one year

21%

Within five years

11%

Within six months

10%

No specific
timeframe

**70% of respondents
expect to adopt AI in
the next two years**



Expected use of **AI** in the next 3 years

53%

Used for many parts

28%

Used selectively

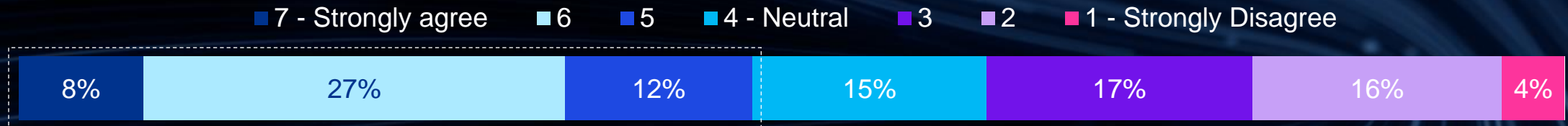
18%

Used to transform

71% expect AI to be used extensively in the next 3 years



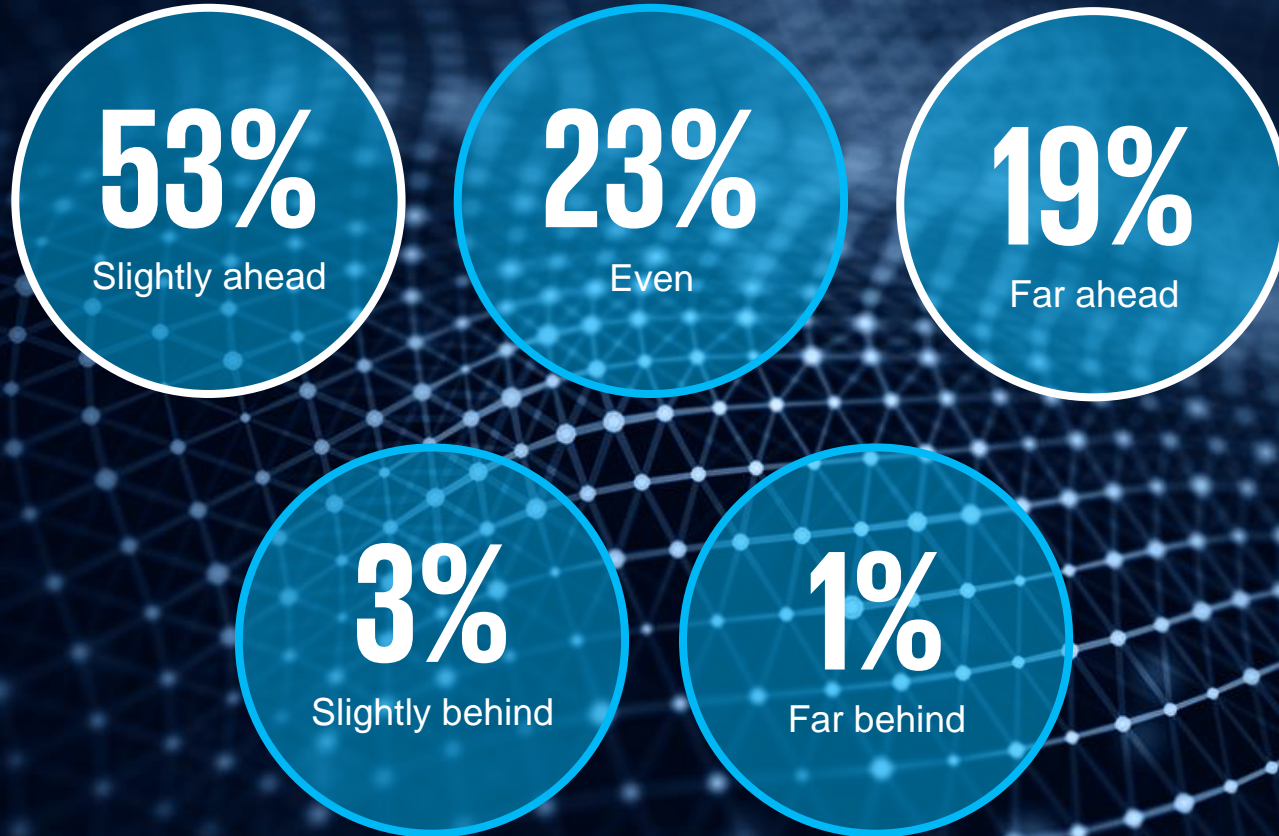
Will GenAI deliver on the “hype” and provide meaningful value?



47% agree that GenAI will live up to the hype



Are external auditors ahead or behind on using AI?



72% think external auditors are ahead.

28% think external auditors are even or behind.



What should auditors prioritize improving through AI and GenAI

AI Prioritization

Asking the right questions and willingness to challenge
 48%

Conducting data analysis
 46%

Understanding of economic and industry trends
 43%

Mitigating risk and improving internal controls
 43%

GenAI Prioritization

Asking the right questions and challenge
 47%

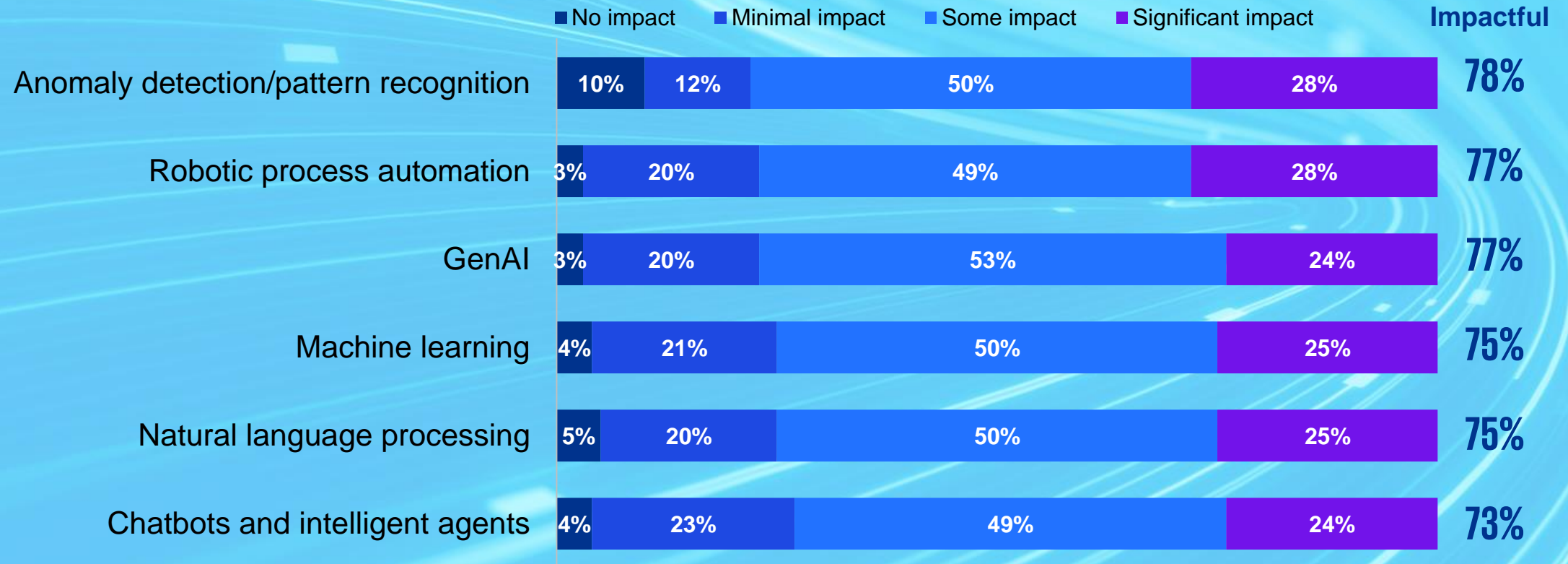
Identifying new risks/anomalies
 43%

Continuously auditing and optimizing throughout the year
 42%

Detecting potential misstatements or fraud
 40%



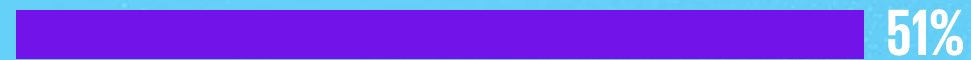
Positive impact of AI-enabled functions on financial reporting



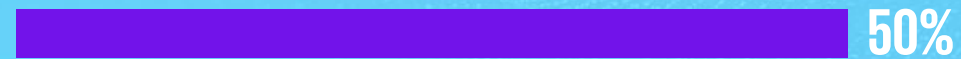


Benefits **AI** will provide to financial reporting

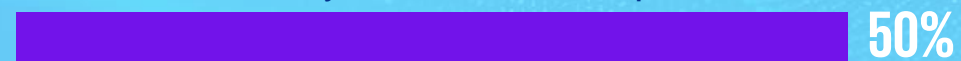
Increased efficiency and lessened burden on employees



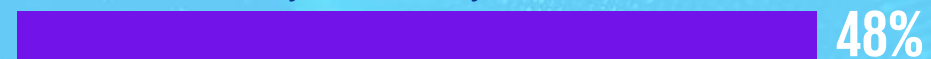
Increased data accuracy, reliability, and predictability



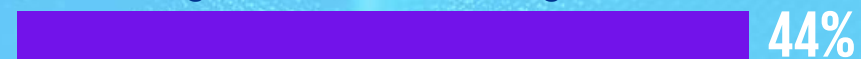
Increased visibility into end-to-end processes and controls



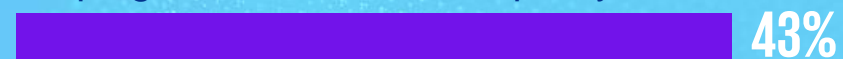
Increased ability to identify data outliers and anomalies



Enhancing the skills of existing talent



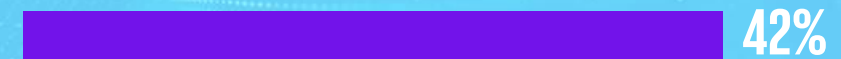
Helping make software and policy decisions



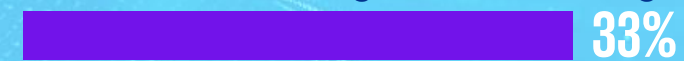
Real-time insights into areas of risk or control weaknesses



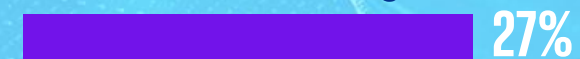
Faster quarterly and year-end reporting



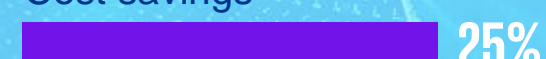
Predictive modeling and forecasting



Address staff shortages



Cost savings



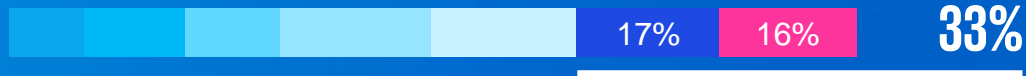


Concerns about non-GenAI in financial reporting

Transparency

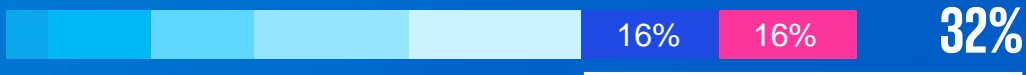
Disclosure of how models are built, trained, and optimized

Very concerned



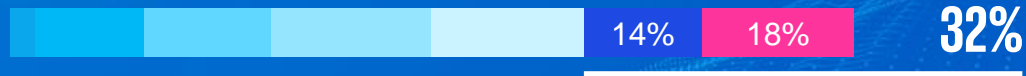
Data privacy

Rules around the use of data with AI



Accuracy

Acting on wrong information or assumptions



Cybersecurity

Ensuring safe and secure storage of data



Data organization and management

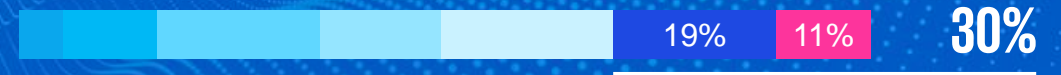
Ensuring access to necessary data

Very concerned



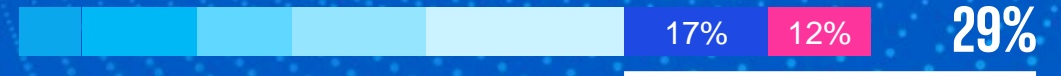
Bias

Bias in learning models and training data sets



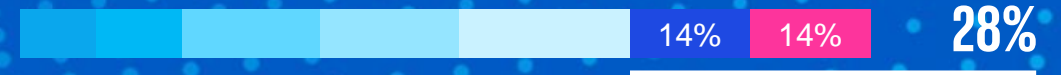
Data sovereignty

Ensuring data is used under agreed conditions



Copyright and IP

Codifying rules around protection of AI-influenced work and current IP



1 – Not concerned 2 3 4 5 6 7 – Extremely concerned

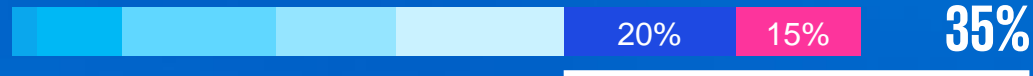


Concerns about GenAI in financial reporting

Transparency

Disclosure of how models are built, trained, and optimized

Very concerned



Data privacy

Rules around the use of data with AI



Accuracy

Acting on wrong information or assumptions



Cybersecurity

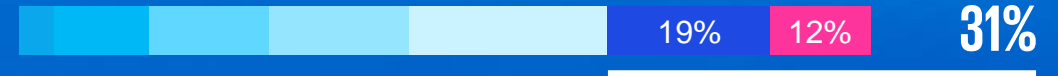
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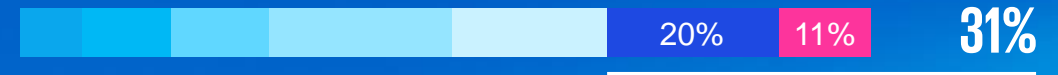
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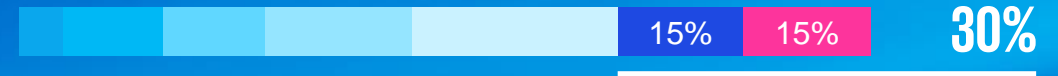
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Role of the auditor in evaluating a company's use of AI in financial reporting

39%

Similar to what they do now

36%

Detailed review of control environment

29%

Third-party attestation

65% want auditors to help with AI



Will third-party attestation be valuable in the near future?

46%

Neutral

36%

Somewhat valuable

15%

Very valuable

3%

Not valuable

51% think third-party attestation will be valuable.



Barriers to adopting AI in financial reporting

Risks associated with overreliance on algorithms
51%

Pace of regulatory and compliance changes
49%

Concerns about data quality (bias, inaccuracy, etc.)
48%

Difficulty integrating with existing tools
46%

Low org knowledge of AI best practices and implementation
40%

Funding and investment levels needed
39%

Lack of understanding of the benefits AI might provide
37%

Difficulty gathering relevant data
30%



What should auditors prioritize through AI

55%

Value-added
audit insights

54%

Speed of delivery

54%

Reducing costs

46%

Responsiveness
and flexibility



Will AI have an impact on DEI?

54%

No effect

37%

Positively affect DEI

6%

Negatively affect DEI

3%

I am not sure

Just over half (55%) think that AI will have no effect on DEI while more than a third (38%) believe it will.