

On the CAE Agenda Q1/Q2, 2025- Consumer and Retail

The role and focus of internal audit (IA) in the consumer and retail sectors are ever-evolving. This installment of the KPMG *On the CAE Agenda* series provides quick insights into what IA leaders within the consumer and retail industries may be hearing, doing, and discussing with their stakeholders across the core elements of their business agendas during the first half of 2025.



Spotlight on:

Data, analytics, and insights

- Adoption/use of AI technologies in IA
- Data-driven enterprise and IA risk assessment
- Need for more specialized or mature capabilities around technology, data, and insights
- IA's role in the company's data quality and governance journey
- Enhancing IA's operational model (e.g., centers of excellence, data and analytics, transformation)

Operating model agility: IA's role in business transformation

- Standard IA operating model (plan, fieldwork, report, follow-up) will not be effective in auditing transformations. Using new methodologies will be necessary.
- Target IA involvement in the most efficient way for the scale of transformation. Use appropriate methodologies for transformation size and scale (Gate, Agile, Embedded, etc.).
- Focus some effort on change management, project management, and risk profile changes.
- Evolve organization to prevention of issues through transformation rather than detection of issue after the transformation.
- Embed IA as the business's risk partner and utilize real-time reporting to manage expectations.

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Hot topics in IA and key focus areas for consumer and retail

- Socio-economic environment:** Inflation, competition, lack of unemployment, economic uncertainty, and geopolitical instability ongoing
- Understanding customer/consumer preferences:** Listening, understanding, and adapting to evolving customer/consumer behavior and preferences
- Labor strategy, talent, and retention:** Challenges in finding and retaining the right talent in key areas and operational culture change
- Transformational change management:** Pace of change, resource capacity/capabilities, and org/talent to support
- Product safety:** Impact of product recalls, brand and reputation damage
- Execution risk:** Inability to execute customer promise, Inventory management, customer service
- Strategic misalignment:** Resetting expectations and big bet risks
- Technology:** Technology debt, data and cyber risk, impact of artificial intelligence (AI) and third-party exposure
- Supply chain:** Ongoing transparency disruption and execution challenges
- External disruption:** Compliance changes, stakeholder activism, global tax alignment, expanded tariffs
- Total loss:** Price balancing, cost control, Investment ROI, shrink, financial leakage
- Expectation risk:** FP&A misses, impact of price escalation, merchandise planning, market expectation setting

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