

[INSERT DATE]

[INSERT FULL NAME]

[INSERT JOB TITLE]

[INSERT COMPANY NAME]

[INSERT COMPLETE ADDRESS]

**Subject: Inventory Audit Report**

Dear Mr. /Ms. [INSERT SURNAME]:

Attached is [INSERT SENDER COMPANY NAME]’s audit report of [INSERT COMPANY NAME]’s inventory for the period of [INSERT PERIOD]. Our audit for the said inventory was completed on [INSERT DATE]. The report contains our audit opinion of [INSERT COMPANY NAME]’s inventory, including the efficiency of its inventory management and other relevant internal controls. In accordance with [INSERT SENDER COMPANY NAME]’s usual business practice, we would like to draw your attention to specific inventory matters which we have identified in our inventory audit. The said matters are set out in the enclosed report.

We at [INSERT SENDER COMPANY NAME], would like to thank you for your interest in our audit services. We would also like to thank the management and staff for their time, information, assistance, and cooperation during the conduct of the audit.

For your questions, you may contact or email me directly at [INSERT CONTACT NUMBER] [INSERT EMAIL ADDRESS]. We would be happy and more than willing to give you answers to any clarifications about this audit report.

Yours faithfully,

[INSERT FULL NAME]

[INSERT JOB TITLE]

[INSERT COMPANY NAME]

**CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

The undersigned and all other parties to which this Inventory Audit Report, herein referred to as the “document”, has been conveyed hereby acknowledges the confidential nature of the information it contains, and binds himself/herself to secure and preserve its confidentiality, and to not disclose in anyway whatsoever any of the said information unless otherwise expressly authorized by [INSERT COMPANY NAME].

It is also hereby acknowledged that in view of the confidential nature of the information contained in this document, any unauthorized disclosure of the said information, except those forming part of the public domain or those that have been obtained in some lawful capacity other than by means of this document, shall be deemed prejudicial to [INSERT COMPANY NAME], holding any party responsible to damages as may be determined by proper proceedings.

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SIGNATURE

DATE

PRINTED NAME

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**1. BACKGROUND**

[INSERT COMPANY NAME]’s inventory warehouse is located at [INSERT COMPLETE ADDRESS]. The warehouse covers an area of approximately [INSERT AREA DETAIL]. Currently, it is staffed with [INSERT NUMBER OF STAFF e.g supervisor and warehouse clerks]. The personnel primarily responsible and accountable for all purchases of materials, supplies and equipment, is the [INSERT PERSONNEL e.g Procurement Official]. The said personnel is also required to conduct a preliminary audit of the purchased items for records keeping. A specific fund is also set aside for the warehouse, and is also within the responsibility of the said personnel. Historical data for this fund is set out on the table below.

|  |  |  |
| --- | --- | --- |
| **Fiscal Year** | **Budget** | **Actual** |
| [INSERT YEAR] | USD XXX.XX | USD XXX.XX |
| [INSERT YEAR] | USD XXX.XX | USD XXX.XX |

The inventories stored in this warehouse are recorded on [INSERT COMPANY NAME]’s inventory account. However, a problem arises where an affiliate company temporarily stores inventory items in the warehouse and are not recorded by the warehouse staff.

This inventory audit was conducted pursuant to [INSERT COMPANY NAME]’s annual assessment and audit plan as approved by its audit department.

**2. OBJECTIVES**

The following are the objectives of this Inventory Audit Report:

1. To determine if there are sufficient standard operating procedures (SOPs) in place at the warehouse for the employees to follow and implement

2. To determine if inventories received at the warehouse are properly valued and recorded in the inventory system

3. Correction of prior audit findings

4. To determine if there are timely and accurate reconciliations between inventory records and the General Ledger Accounts

5. To determine if inspections have been made to ascertain the condition of the inventories upon delivery

6. To determine remedial actions for damaged inventories

7. To determine if the company’s established procurement processes are duly followed in the acquisition of inventories

8. To ensure that sufficient amount of inventory are available to support [INSERT COMPANY NAME]’s operations

**3. SCOPE**

The scope of this Inventory Audit Report covers the period starting [INSERT DATE] to [INSERT DATE]. The audit examinations were conducted to [INSERT COMPANY NAME]’s inventory records, transactions, controls and procedures.

**4. METHODOLOGY**

In order to achieve the audit objectives, the following methods were used in this report:

1. Review of records and transactions

2. Interview of management and staff

3. Site visits and process/procedure observations

4. Internal control examination

5. Examination of material weak points in internal control systems and procedures

**5. AUDIT STANDARD**

This Inventory Audit Report was conducted in accordance with the [INSERT AUDIT STANDARD e.g Generally Accepted Audit Standard]. The said standard requires that audit findings be based on appropriate evidence. As such, the audit was conducted in such a way that evidence were acquired to support reasonable audit conclusions to meet the stated audit objectives.

**6. AUDIT CONCLUSIONS AND FINDINGS**

**A. Policies and Procedures**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**B. Inventory Report and Monitoring**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**C. Documentation**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**D. Purchase Contracts**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**E. Segregation of Duties**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**F. Inventory Count**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**G. Warehouse Requisition Form**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**H. Inventory Safeguard - Gate and Doors**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**I. Inventory Safeguard - Alarm System**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**J. Inventory Safeguard - Guest/Visitor Log**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**K. Overall Conclusion**

|  |  |
| --- | --- |
| Audit Findings | [INSERT DETAILS] |
| Criteria | [INSERT DETAILS] |
| Condition  | [INSERT DETAILS] |
| Cause  | [INSERT DETAILS] |
| Effect  | [INSERT DETAILS] |
| Recommendation | [INSERT DETAILS] |
| Management Response | [INSERT DETAILS] |

**7. INVENTORY BEST PRACTICES**

Based on the conclusions and findings of the audit report, the implementation and improvement of the following inventory practices are highly recommended:

|  |  |  |
| --- | --- | --- |
| **Best Inventory Practices** | **Action by Management** | **Implementation**  |
| 1. Establish accountability | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 2. Provide written policies | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 3. Maintain segregation of duties | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 4. Establish frequency of inventory counts | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 5. Hire knowledgeable staff or train them  | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 6. Maintain warehouse security | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 7. Provide adequate supervision | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 8. Ensure proper inventory recording | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 9. Conduct physical counts | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 10. Evaluate inventory counts | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |
| 11. Conduct research | [INSERT DETAILS] | [SATISFACTORY OR NEEDS IMPROVEMENT] |