

Standard Operating Procedure (SOP)

Inventory Shrinkage Monitoring and Reconciliation

This SOP details the **inventory shrinkage monitoring and reconciliation steps**, encompassing regular inventory audits, identification and documentation of discrepancies, analysis of shrinkage causes, adjustment processes for inventory records, and implementation of loss prevention measures. The objective is to maintain accurate inventory levels, minimize losses, and improve overall inventory management through systematic monitoring and reconciliation procedures.

1. Purpose

To outline standard procedures for monitoring and reconciling inventory shrinkage, ensuring integrity of inventory records and preventing future losses.

2. Scope

This SOP applies to all personnel involved in inventory management, including warehousing, stock control, and audit teams.

3. Responsibilities

- **Inventory Manager:** Oversee execution of audits and reconciliation steps.
- **Warehouse Staff:** Participate in physical counts and report issues.
- **Internal Audit Team:** Review findings and recommend improvements.

4. Procedure

- Schedule Regular Inventory Audits**
 - Determine audit frequency based on inventory volume and historical shrinkage.
 - Communicate audit plans to relevant staff.
- Conduct Physical Inventory Counts**
 - Assign neutral staff for counting.
 - Use standardized count sheets for documentation.
 - Compare physical count results with recorded inventory levels.
- Identify and Document Discrepancies**
 - Record all mismatches between physical and system counts.
 - Note item codes, quantities, locations, and responsible employees.
- Analyze Shrinkage Causes**
 - Review patterns/trends (e.g., frequent missing items, damaged goods, theft, misplacement).
 - Interview relevant staff for insights.
- Process Inventory Adjustments**
 - Approve adjustment by authorized personnel.
 - Update records in the inventory management system.
 - Attach documentation for audit trail.
- Implement Loss Prevention Measures**
 - Enhance security (CCTV, restricted access).
 - Train staff on accurate inventory handling and reporting.
 - Evaluate and improve processes to reduce future shrinkage.
- Report Findings & Recommendations**
 - Summarize discrepancies, actions, and preventative measures.
 - Share reports with management and audit teams.

5. Documentation & Records

Maintain the following records for each audit and reconciliation cycle:

Document	Retention Period	Responsible Person
Inventory Audit Sheets	2 years	Warehouse Supervisor
Discrepancy Reports	2 years	Inventory Manager

Document	Retention Period	Responsible Person
Adjustment Approvals	2 years	Inventory Manager
Loss Prevention Records	As long as applicable	Security Manager

6. Revision & Review

This SOP should be reviewed annually or upon observed changes in shrinkage rates or inventory processes.

7. Appendices

- Sample Inventory Audit Sheet
- Discrepancy Report Template
- Authorization Form for Inventory Adjustment