

# Standard Operating Procedure (SOP): Periodic Inventory Auditing and Reconciliation

This SOP details the process for **periodic inventory auditing and reconciliation**, including scheduling regular inventory counts, verifying stock levels against records, identifying discrepancies, investigating variances, adjusting inventory records accordingly, and reporting findings to management. The objective is to maintain accurate inventory data, prevent stock losses, and ensure efficient inventory management through systematic checks and balances.

## 1. Purpose

To define the steps and responsibilities for conducting periodic inventory audits and reconciliations to maintain accurate inventory records and improve inventory management practices.

## 2. Scope

This SOP applies to all staff involved in inventory management, including warehouse staff, inventory controllers, and management responsible for stock accuracy.

## 3. Responsibilities

- **Inventory Controller:** Oversees scheduling and coordination of inventory audits, leads reconciliation activities.
- **Warehouse Staff:** Participate in physical counts and provide access to inventory.
- **Management:** Reviews audit reports and approves adjustments.

## 4. Definitions

- **Inventory Audit:** The process of verifying physical stock against inventory records.
- **Reconciliation:** The process of investigating and resolving differences between recorded and actual inventory levels.
- **Variance:** Discrepancy between physical count and recorded inventory.

## 5. Procedure

1. **Scheduling Audits**
  - Determine the frequency of audits (e.g., monthly, quarterly, annually).
  - Schedule dates and notify relevant personnel in advance.
2. **Preparation**
  - Confirm inventory areas and items to be counted.
  - Prepare inventory sheets or digital devices for recording counts.
  - Restrict stock movements during the audit.
3. **Conducting Physical Count**
  - Perform physical count of inventory items per standard guidelines.
  - Document physical quantities counted for each item.
4. **Reconciliation**
  - Compare physical count results with inventory records.
  - Identify and document any discrepancies or variances.
5. **Investigation of Variances**
  - Investigate variances by reviewing transaction logs, stock movement records, and recent adjustments.
  - Determine root causes and take corrective action (e.g., process improvement, retraining).
6. **Adjustment of Inventory Records**
  - Based on investigation outcomes, adjust inventory records to reflect accurate stock levels.
  - Document all adjustments with explanations and authorization signatures.
7. **Reporting**
  - Prepare an audit report summarizing findings, discrepancies, actions taken, and recommendations.
  - Submit the report to management for review and approval.

## 6. Documentation

- Inventory count sheets or digital inventory logs
- Discrepancy and variance investigation forms
- Inventory adjustment authorization forms

- Audit reports

## 7. References

- Company Inventory Policies
- Warehouse Management System (WMS) Manuals

## 8. Revision History

Version	Date	Description	Author
1.0	2024-06-06	Initial issue	[Your Name]