

# SOP: Inventory Reporting and Audit Procedures

This SOP defines **inventory reporting and audit procedures**, encompassing accurate record-keeping, regular physical inventory counts, discrepancy investigations, compliance with accounting standards, documentation of inventory movements, roles and responsibilities of personnel, audit scheduling and execution, and corrective actions for inventory variances. The objective is to ensure accurate inventory tracking, prevent loss or theft, support financial reporting, and maintain operational efficiency through systematic audits and detailed reporting protocols.

## 1. Purpose

To establish standardized procedures for recording, reporting, and auditing inventory to ensure accuracy, transparency, operational control, and compliance with relevant accounting and regulatory standards.

## 2. Scope

This SOP applies to all personnel involved in inventory management, record-keeping, and auditing processes within the organization.

## 3. Responsibilities

Role	Responsibilities
Inventory Manager	Supervise inventory recording, authorize inventory adjustments, oversee physical counts, approve discrepancy reports.
Warehouse Staff	Maintain accurate inventory records, support physical counts, document inventory movement.
Audit Team	Schedule and conduct inventory audits, report and investigate variances, propose corrective actions.
Finance Department	Ensure inventory data complies with accounting standards and supports financial reporting.

## 4. Inventory Record-Keeping

- Record all inventory receipts, issues, returns, and adjustments in real time using the designated inventory management system.
- Ensure each transaction is supported by proper documentation (e.g., purchase orders, delivery notes).
- Reconcile system balances with physical stock weekly/monthly.
- Maintain inventory records for the period required by law or company policy.

## 5. Physical Inventory Counts

- Schedule periodic full physical counts (at least annually).
- Conduct cycle counts monthly or quarterly, focusing on high-value/fast-moving items.
- Assign independent personnel to conduct counts (not involved in daily inventory handling where possible).
- Record count results and compare to system records; document any discrepancies.

## 6. Discrepancy Management and Investigation

- Immediately investigate any count discrepancies exceeding allowable thresholds.
- Document root cause analysis and report findings to management.
- Implement approved corrective actions, including system adjustments, process changes, or personnel training.

## 7. Compliance

- Adhere to applicable accounting standards (e.g., IFRS, GAAP) in inventory valuation and reporting.

- Follow all company policies, legal, and regulatory requirements on inventory control.

## 8. Documentation of Inventory Movements

1. Securely document all inventory receipts with supplier documents and goods receipt notes.
2. Record inventory issues with reference to internal issuance slips or sales orders.
3. Log all transfers, adjustments, and write-offs with proper authorization and justification.

## 9. Audit Scheduling and Execution

- Prepare an annual audit schedule and communicate to relevant parties.
- Conduct scheduled and ad hoc audits as needed.
- Review controls over inventory storage and access during audits.
- Document audit findings and present to management for review.

## 10. Corrective Actions for Inventory Variances

1. Address identified variances promptly through investigation and action plans.
2. Review and improve inventory control procedures as needed.
3. Train involved personnel on updated processes.
4. Document corrective measures and monitor their effectiveness.

## 11. Record Retention

- Maintain all inventory records, audit reports, and supporting documents in accordance with statutory and policy requirements (typically 7 years).
- Ensure secure, accessible storage for both physical and electronic records.

## 12. Revision History

Date	Revision	Description	Approved by
2024-06-01	1.0	Initial release	Head of Operations