**INTERNAL AUDIT REPORT**

Area Audited: Inventory Controls

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**1. AUDIT OBJECTIVE**

To assess the effectiveness and reliability of internal controls related to the inventory management

system of a fictional retail business.

**2.** **SCOPE**

The audit covered:

- Physical stock verification

- Inventory record maintenance

- Stock reconciliation processes

Time period: March to May 2025

**3. OBSERVATIONS**

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| --- | --- | --- | --- |
| Observation no | Finding | Risk level | Recommendation |
| 1 | Physical stocks were not counted . | Medium | Implement regular monthly stock counts and document results. |
| 2 | Differences found between physical stock and records. | High | Investigate variances immediately and improve stock recording process. |
| 3 | Expired goods still listed as active inventory. | Medium | Update inventory system and dispose of expired items. |

**4. CONCLUSION**

The inventory control process requires moderate improvement. Key areas like regular physical

verification, record reconciliation, and timely updates need attention to reduce the risk of

misstatements and losses.

**5. AUDITOR'S NOTE**

This is a mock internal audit report created for educational purposes as part of my ACCA audit

learning.