

Internal Audit Checklist for Supply Chains

1. REGULATORY COMPLIANCE & DOCUMENTATION

GST & Tax Compliance

- ☐ GST registration certificates for all entities in the supply chain
- ☐ Monthly/quarterly GST returns filing compliance (GSTR-1, GSTR-3B)
- ☐ Input tax credit reconciliation and utilization
- ☐ E-way bill generation and compliance for goods movement
- ☐ TDS/TCS compliance on applicable transactions
- ☐ Custom duty compliance for imported/exported goods
- ☐ State-specific tax compliance (VAT, entry tax where applicable)

Import/Export Compliance

- ☐ IEC (Import Export Code) validity and renewal
- ☐ FSSAI licenses for food products
- ☐ BIS (Bureau of Indian Standards) certifications
- ☐ Environmental clearances and pollution control certificates
- ☐ Foreign Trade Policy compliance
- ☐ DGFT notifications and circular compliance
- ☐ SEZ/EOU compliance (if applicable)

labour & Factory Compliance

- ☐ Factory license and renewal
- ☐ Shops and Establishment Act registration
- ☐ PF and ESI registrations and compliance
- ☐ Contract labour Act compliance
- ☐ Minimum wages compliance
- ☐ Working hours and overtime compliance
- ☐ Safety and health regulations compliance

2. VENDOR MANAGEMENT & PROCUREMENT

Vendor Onboarding & Documentation

- ☐ Vendor registration and KYC documentation
- ☐ GST certificates and PAN verification
- ☐ Bank account verification and RTGS/NEFT setup
- ☐ Quality certifications (ISO, BIS, etc.)
- ☐ Financial stability assessment
- ☐ Vendor code creation and master data accuracy
- ☐ Vendor agreement execution and terms compliance

Purchase Process Controls

- ☐ Purchase requisition approval matrix compliance
- ☐ Quotation comparison and vendor selection rationale
- ☐ Purchase order authorization limits adherence
- ☐ Rate contracts and AMC agreements review
- ☐ Emergency purchase authorization and documentation
- ☐ Capital expenditure approval process
- ☐ Import purchase compliance with foreign exchange regulations



Vendor Performance & Risk Management

- ☐ Vendor performance scorecards and ratings
- ☐ Quality rejection tracking and vendor feedback
- ☐ Delivery performance monitoring
- ☐ Vendor audit schedule and execution
- ☐ Alternative vendor identification for critical supplies
- ☐ Vendor dependency risk assessment
- ☐ Price volatility and market risk analysis

3. INVENTORY MANAGEMENT

Stock Control & Valuation

- ☐ Physical stock verification and cycle counting
- ☐ Stock valuation methods (FIFO/LIFO/Weighted Average)
- ☐ Obsolete and slow-moving inventory identification
- ☐ Stock provision and write-off procedures
- ☐ ABC analysis implementation and monitoring
- ☐ Safety stock levels and reorder point calculations
- ☐ Stock aging analysis and action plans

Warehouse Operations

- ☐ Warehouse layout optimization and space utilization
- ☐ Goods receipt process and documentation
- ☐ Storage conditions and material handling procedures
- ☐ Stock issuance controls and FIFO implementation
- ☐ Warehouse security and access controls
- ☐ Material handling equipment maintenance
- ☐ Insurance coverage for inventory



Inventory Reconciliation

- ☐ Book vs physical stock reconciliation
- ☐ Inter-location stock transfer controls
- ☐ Consignment inventory tracking
- ☐ Customer-owned material segregation
- ☐ Scrap and waste material accounting
- ☐ Inventory cut-off procedures
- ☐ Stock discrepancy investigation procedures

4. LOGISTICS & TRANSPORTATION

Transportation Management

- ☐ Delivery challan and documentation completeness
- ☐ Customer delivery confirmation process
- ☐ Return goods handling procedures
- ☐ Delivery time adherence and customer satisfaction
- ☐ Last-mile delivery cost optimization
- ☐ Packaging standards and cost control
- ☐ Cold chain maintenance (for applicable products)

Freight & Logistics Costs

- ☐ Freight cost analysis and benchmarking
- ☐ Detention and demurrage charge management
- ☐ Fuel surcharge calculations and approvals
- ☐ Third-party logistics (3PL) cost monitoring
- ☐ Cross-docking and hub operations efficiency
- ☐ Reverse logistics cost management
- ☐ Regional distribution strategy effectiveness



5. TECHNOLOGY & SYSTEMS

ERP & System Controls

- ☐ User access rights and segregation of duties
- ☐ System backup and disaster recovery procedures
- ☐ Data security and cybersecurity measures
- ☐ Master data accuracy and change controls
- ☐ System integration and data flow validation
- ☐ Automated workflow approvals functioning
- ☐ System performance and uptime monitoring

Digital Supply Chain

- ☐ RFID/barcode implementation and accuracy
- ☐ IoT device monitoring and data analytics
- ☐ Supplier portal functionality and usage
- ☐ Mobile app integration for field operations
- ☐ Blockchain implementation (if applicable)
- ☐ AI/ML predictive analytics utilization
- ☐ Digital documentation and paperless processes

Data Management & Analytics

- ☐ Data quality and integrity checks
- ☐ Real-time dashboard accuracy and relevance
- ☐ KPI measurement and reporting automation
- ☐ Predictive analytics for demand forecasting
- ☐ Supply chain visibility and transparency
- ☐ Exception reporting and alert mechanisms
- ☐ Data retention and archival policies



6. FINANCIAL CONTROLS

Purchase-to-Pay Process

- ☐ Three-way matching (PO, GRN, Invoice)
- ☐ Invoice processing and approval workflow
- ☐ Payment terms negotiation and compliance
- ☐ Early payment discounts utilization
- ☐ Advance payment controls and recovery
- ☐ Foreign exchange hedging strategies
- ☐ Credit note processing and reconciliation

Cost Management

- ☐ Standard costing vs actual cost analysis
- ☐ Variance analysis and corrective actions
- ☐ Total cost of ownership calculations
- ☐ Should-cost modeling and target pricing
- ☐ Freight and logistics cost allocation
- ☐ Overhead allocation methodology
- ☐ Cost center-wise profitability analysis

Budget & Forecasting

- ☐ Annual procurement budget preparation and approval
- ☐ Monthly budget vs actual variance analysis
- ☐ Rolling forecasts and demand planning
- ☐ Capital expenditure planning and tracking
- ☐ Working capital optimization strategies
- ☐ Cash flow forecasting for supply chain
- ☐ ROI analysis for supply chain investments



7. QUALITY MANAGEMENT

Incoming Quality Control

- ☐ Vendor quality agreements and specifications
- ☐ Incoming inspection procedures and sampling
- ☐ Quality certificates verification
- ☐ Rejected material handling and disposition
- ☐ Supplier corrective action requests (SCAR)
- ☐ Quality audit schedule for suppliers
- ☐ First article inspection processes

Quality Systems

- ☐ Quality management system certification (ISO 9001)
- ☐ Quality manual and procedure documentation
- ☐ Quality training and competency records
- ☐ Quality metrics and KPI monitoring
- ☐ Customer complaint handling procedures
- ☐ Internal quality audit schedule and findings
- ☐ Continuous improvement initiatives



8. RISK MANAGEMENT & COMPLIANCE

Supply Chain Risk Assessment

- ☐ Supplier financial health monitoring
- ☐ Geographic concentration risk analysis
- ☐ Single source dependency identification
- ☐ Political and economic risk assessment
- ☐ Natural disaster and force majeure planning
- ☐ Cyber security risk in supply chain
- ☐ Regulatory compliance risk monitoring

Business Continuity Planning

- ☐ Supply chain disruption scenarios planning
- ☐ Alternative supplier identification and qualification
- ☐ Emergency stock level determination
- ☐ Crisis communication protocols
- ☐ Supply chain recovery procedures
- ☐ Insurance coverage adequacy review
- ☐ Regular BCP testing and updates

Environmental & Social Compliance

- ☐ Environmental impact assessment of suppliers
- ☐ Sustainability reporting and metrics
- ☐ Carbon footprint measurement and reduction
- ☐ Waste management and recycling programs
- ☐ Social compliance and ethical sourcing
- ☐ Conflict minerals compliance (if applicable)
- ☐ Supplier diversity programs



9. PERFORMANCE MEASUREMENT

Key Performance Indicators (KPIs)

- ☐ On-time delivery performance tracking
- ☐ Quality metrics (defect rates, first-pass yield)
- ☐ Cost reduction achievements and targets
- ☐ Inventory turnover and working capital efficiency
- ☐ Supplier performance scorecards
- ☐ Lead time reduction initiatives
- ☐ Customer satisfaction measurements

Benchmarking & Improvement

- ☐ Industry benchmarking studies
- ☐ Best practice identification and implementation
- ☐ Continuous improvement project tracking
- ☐ Supply chain digitalization roadmap
- ☐ Innovation and technology adoption
- ☐ Cost savings validation and reporting
- ☐ Process optimization initiatives

10. DOCUMENTATION & RECORD KEEPING

Statutory Records

- ☐ Statutory registers maintenance
- ☐ Contract and agreement filing system
- ☐ Compliance certificates and renewals
- ☐ Audit reports and management responses
- ☐ Legal notices and correspondence
- ☐ Insurance policies and claim records
- ☐ Tax assessment orders and appeals

Operational Records

- ☐ Standard operating procedures (SOPs)
- ☐ Training records and competency assessments
- ☐ Incident reports and investigation findings
- ☐ Supplier audit reports and corrective actions
- ☐ Quality inspection records and certificates
- ☐ Performance measurement data retention
- ☐ Change management documentation

