

Date: [Insert Date]

To: [Client Name/Warehouse Manager Name]

Company: [Client Company Name]

From: [Audit Firm Name]

Subject: Year-End Inventory Observation Procedures

Dear [Name],

In connection with our audit of the financial statements of [Company Name] for the fiscal year ending [Date], this letter confirms our arrangements to observe your year-end physical inventory count.

1. Observation Schedule:

Our audit team will be present at the following locations on the dates specified:

- [Location Name/Address]: [Date and Time]
- [Location Name/Address]: [Date and Time]

2. Client Preparation:

To ensure an efficient process, please provide the following prior to the count:

- A final copy of the inventory counting instructions provided to your staff.
- A map or layout of the warehouse/storage areas.
- A pre-count inventory listing (without quantities, if possible) to be used as a reference.

3. Audit Procedures:

During the observation, our team will perform the following:

- Evaluate the effectiveness of your counting instructions and procedures.
- Perform independent test counts and compare them to your staff's records.
- Inspect the condition of inventory for signs of damage or obsolescence.
- Record the last shipping and receiving document numbers for cut-off testing purposes.

4. Cut-off Information:

Please ensure that movement of inventory (shipping and receiving) is halted during the count. If movement is necessary, please identify these items clearly for the audit team.

Please acknowledge receipt of this letter and confirm if the scheduled dates are acceptable. If you have any questions, please contact [Lead Auditor Name] at [Phone Number].

Sincerely,

[Signature]

[Name of Engagement Partner]

[Audit Firm Name]