

[Company Name]
[Department/Address]
[Date]

To: [Management Name/Board of Directors]
From: [Audit Lead/Internal Audit Department]
Subject: Post-Audit Report: Inventory Obsolescence Risks

Dear [Recipient Name],

Following the completion of the inventory audit conducted on [Audit Date], we are writing to formally outline significant risks identified regarding inventory obsolescence.

1. Executive Summary

During our review of [Product Line/Warehouse Location], we identified a substantial volume of stock that is no longer moving or is nearing the end of its life cycle. Failure to address this may lead to material misstatements in financial reporting and unnecessary storage costs.

2. Key Findings

- **Slow-Moving Stock:** [Percentage]% of current inventory has had no sales activity in the last [Number] months.
- **Technical Obsolescence:** Items under SKU group [Group Name] have been superseded by newer models, reducing their market value to below cost.
- **Physical Deterioration:** Specific lots in [Location] show signs of expiration or damage, rendering them unsellable.

3. Identified Risks

- **Financial Loss:** Risk of significant write-downs impacting the current fiscal year's profitability.
- **Cash Flow Constraints:** Capital tied up in non-productive assets limiting operational liquidity.
- **Overstated Asset Value:** Potential non-compliance with accounting standards (e.g., Lower of Cost or Market).

4. Recommended Actions

- Implement an immediate liquidation or discount strategy for identified slow-moving items.
- Update the Inventory Reserve Policy to reflect current market conditions.
- Increase the frequency of aging reports reviewed by department heads.

We request a formal response and an action plan regarding these findings by [Due Date]. Please contact the audit team for any clarifications.

Sincerely,

[Signature]

[Name]

[Title]