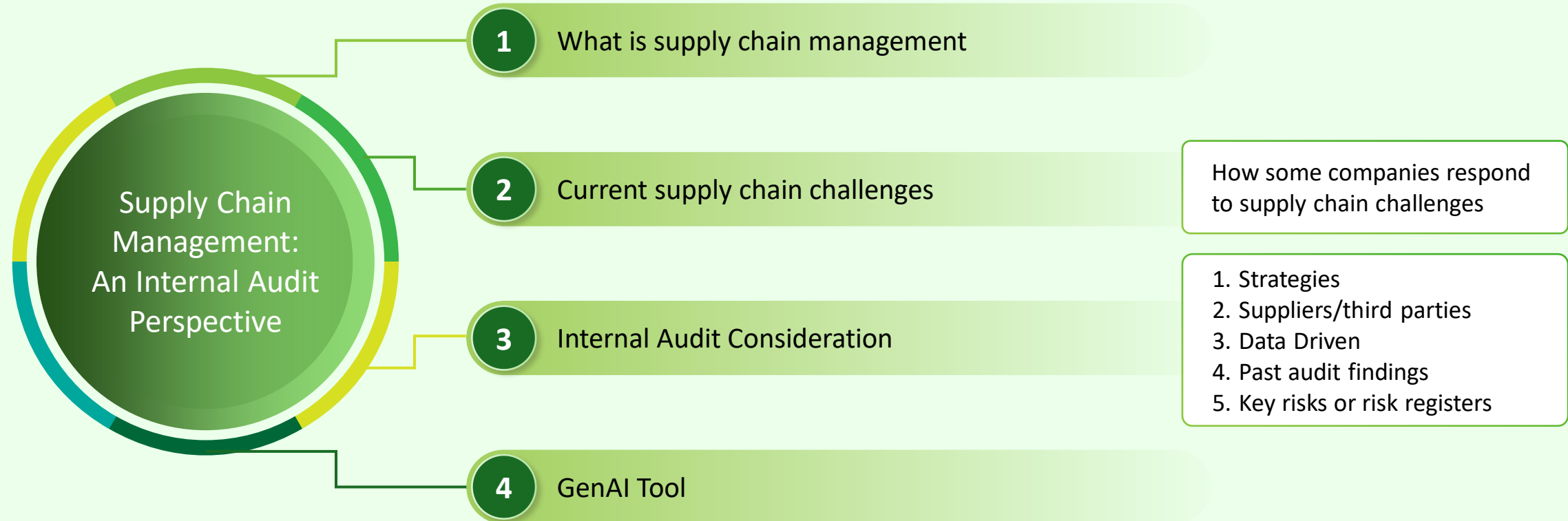


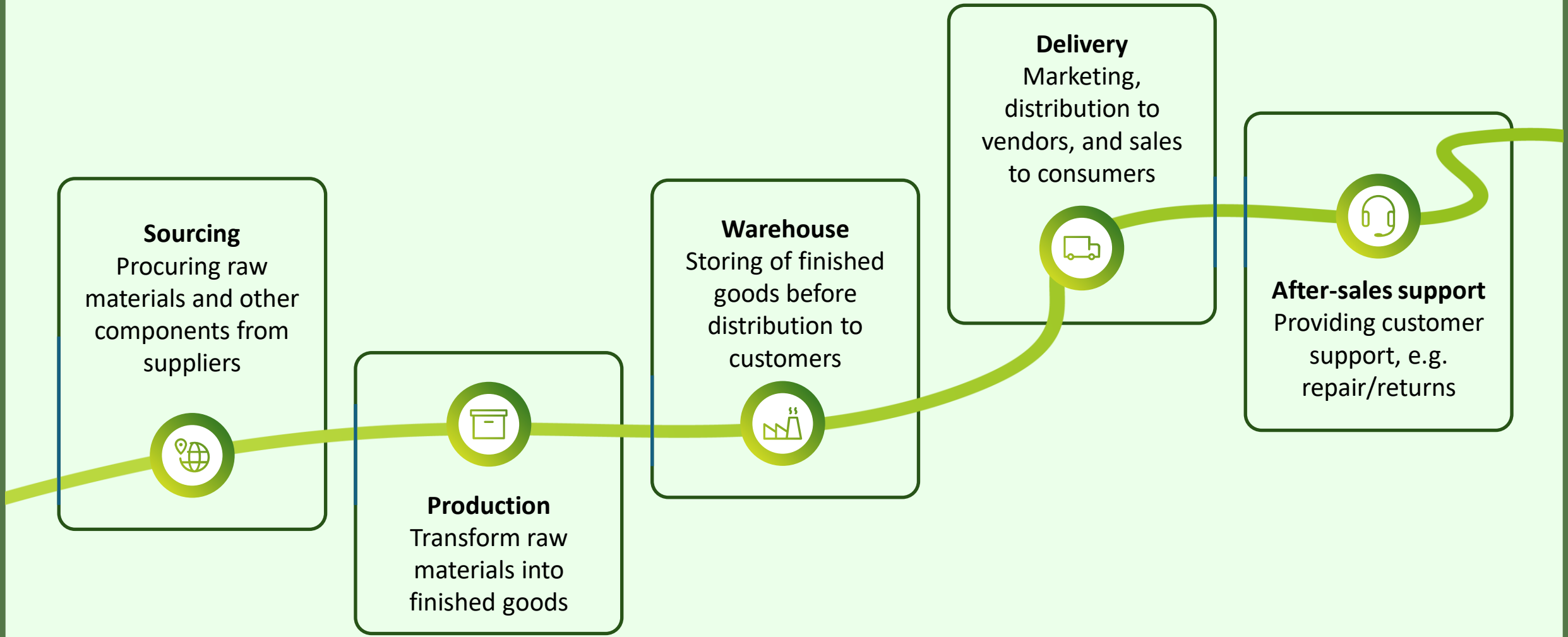


# Supply Chain Management: An Internal Audit Perspective

# Objectives

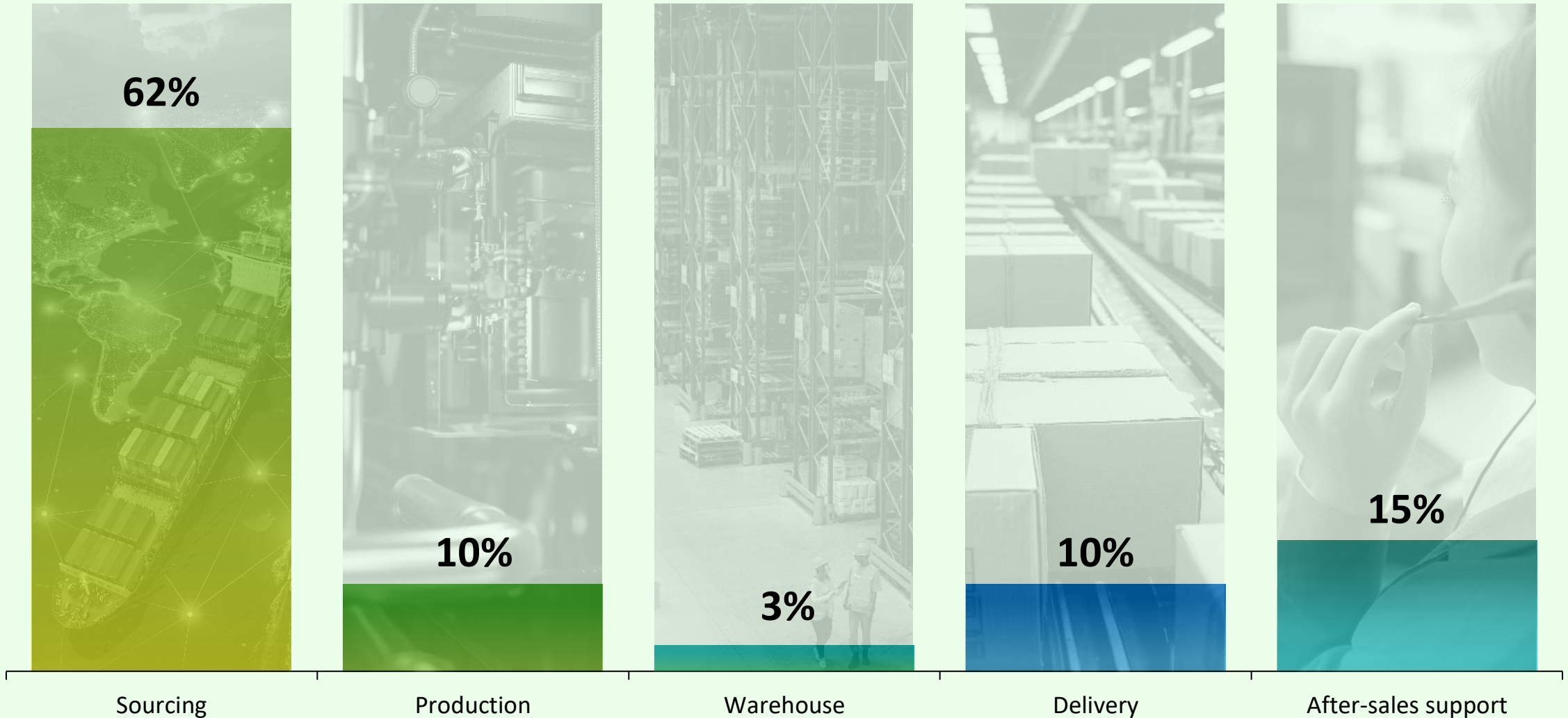


# What is supply chain?



# Q1 At which stage is supply chain biggest challenges?

What most internal auditors think ...



# Current Supply chain challenges



## Sourcing

- Over reliance on limited number of suppliers
- Inferior raw materials / semi-finished products
- Material scarcity
- Over / under purchase



## Production

- Downtime due to equipment breakdown or maintenance
- Skilled labor shortages
- Inconsistent quality
- Over / under produce



## Warehouse

- Over / under stocking
- Lack of space optimization
- Lack of digitalization



## Delivery

- Increased freight prices
- Lack of route optimization
- Improper handling of fragile and perishable goods

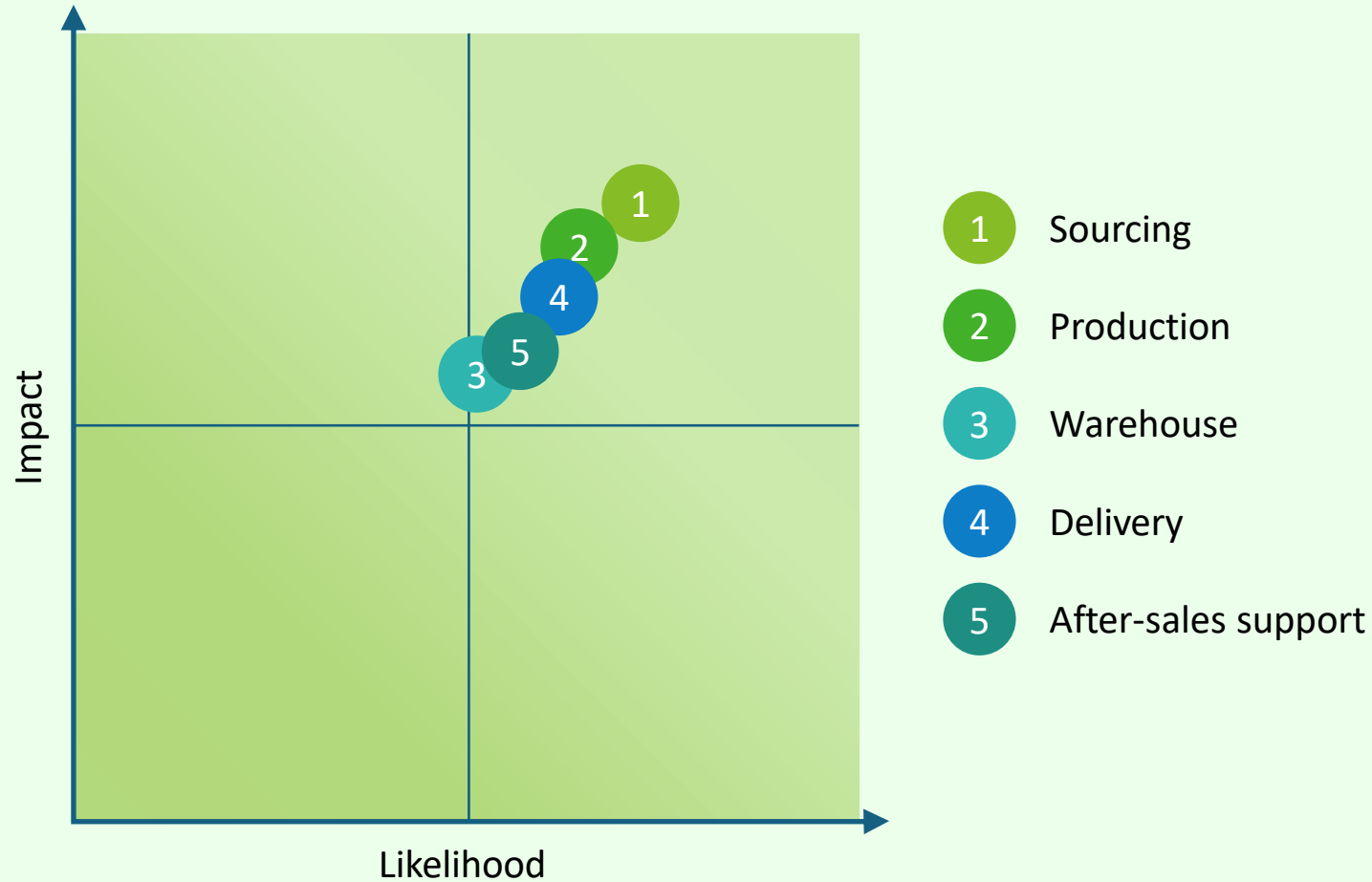


## After-sales support

- Untimely / inadequate response
- High number of returns / exchanges
- Concentrated support channel

## Q2 How our respondents rate the risk of ... in a typical company?

What most internal auditors think ...



## How some companies respond to challenges?

1

### **Diversified suppliers**

Prior to COVID-19, high reliance on China. Companies have started to procure / partner with suppliers from all around the world, including Vietnam, India, Taiwan, and Japan.

2

### **Strong supplier relationship**

MNC offer educational and upskilling opportunities for their supplier, e.g. establishing an educational academy, suppliers' employee development fund, etc.

3

### **Inventory management**

Maintain as little inventory as possible, for agility in response to competitor new/innovative product and for more accurate forecasting. Companies also arrange their inventories by high / low-flow goods.

4

### **Sustainability focused**

Embarked on sustainability journey by introducing various initiatives throughout the years to improve sustainability across the supply chain, e.g. using recycled materials to produce finished goods and for packaging, etc.

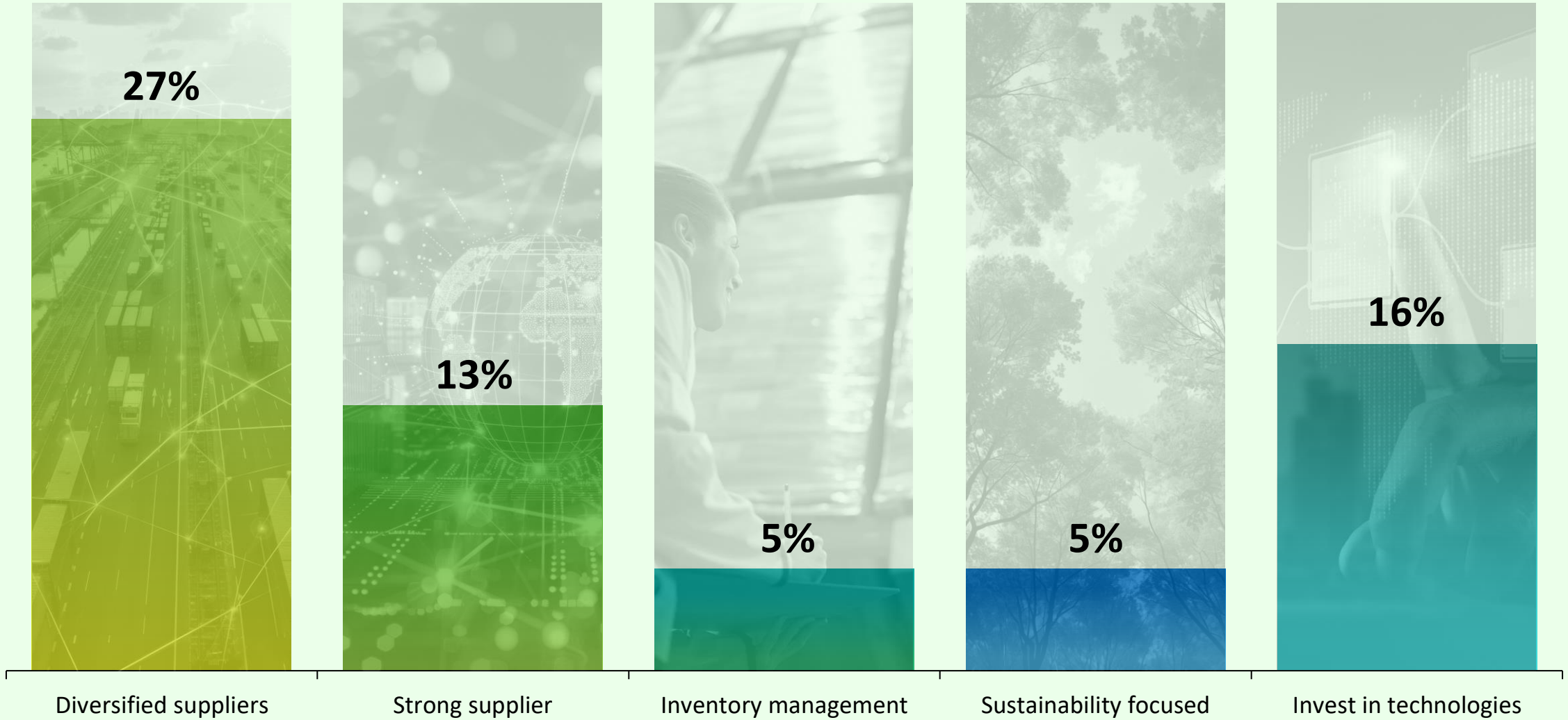
5

### **Invest in technologies**

Use AI and machine learning technologies to forecast consumer demand and supplier capacity as well as to deliver products faster and more accurately.

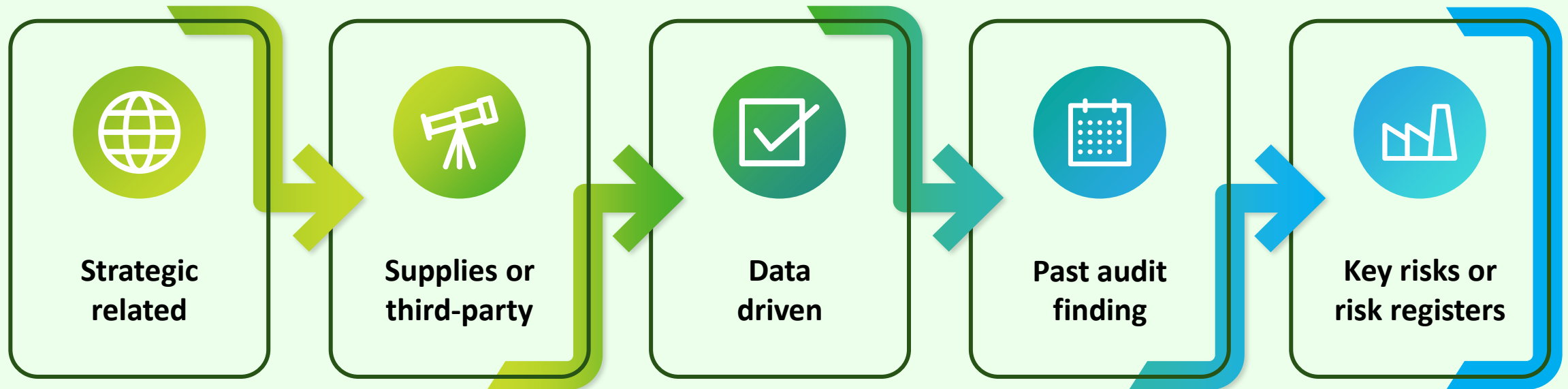
### Q3 Which method in responding to challenges resonate most with our respondents?

What most internal auditors think ...



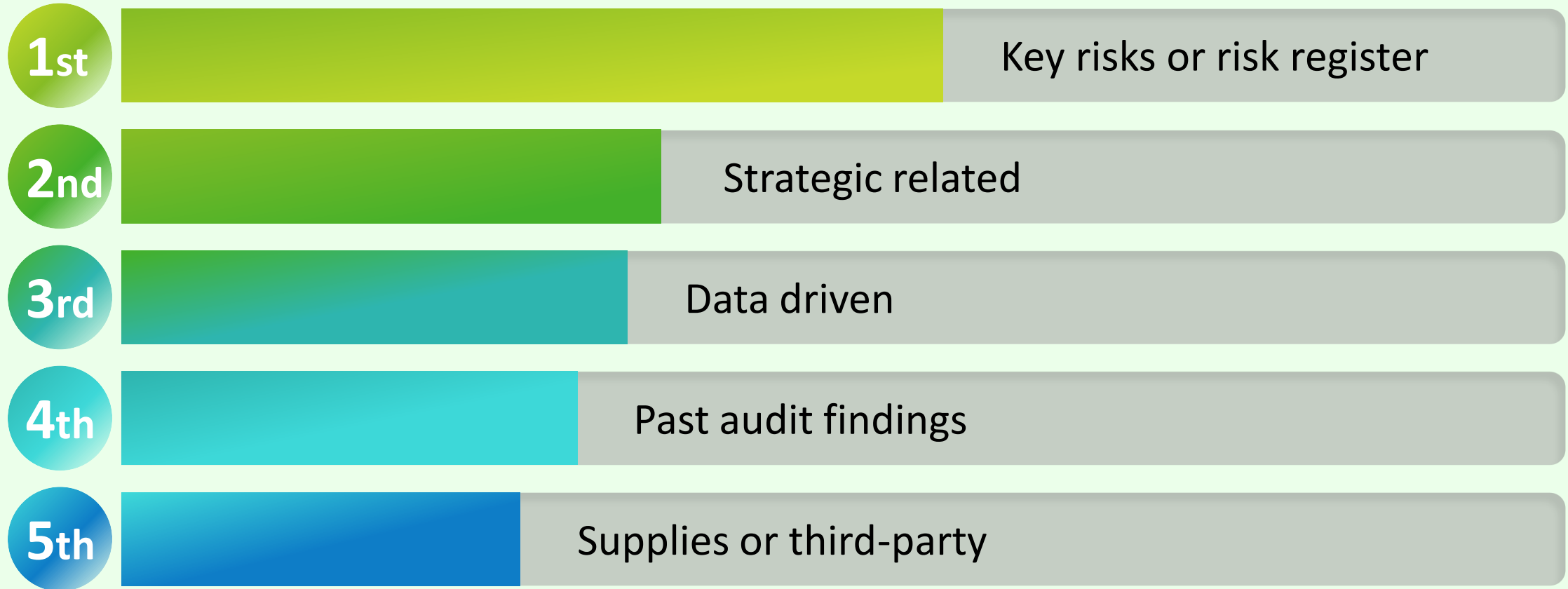


# What are the considerations when planning the scope for internal audit on supply chain related



## Q4 What our respondents consider when planning the scope for internal audit on supply chain related?

What most internal auditors think ...



# Examples of supply chain strategies

## Production

- Implement preventive maintenance (periodic) and predictive maintenance
- Lean manufacturing
- Educational and upskilling opportunities for employees
- Quality control measures at every stage of production

## Delivery

- Logistics optimization, e.g. route planning, fleet management, etc.
- Eco-friendly vehicles
- Minimize packaging and use of cost-effective packaging materials



## Sourcing

- Diversified suppliers
- Strong supplier relationship, e.g. providing educational and upskilling opportunities
- Utilised data analytics for demand forecasting

## Warehouse

- Inventory optimization (JIT / EOQ)
- Warehouse layout and design optimization strategy
- Space utilization, dynamic slotting, vertical storage, etc.
- Digitalization

## After-sales support

- Comprehensive knowledge base, e.g. FAQs, Tutorial videos, etc.
- Trained after-sales support staff
- Clear returns / exchanges policy
- Multiple support channel
- Obtain customer feedback

# Supplier / third party audit



## Considerations

- **Supplier Relationship:** This is one of the reasons why strong supplier relationship is important. Strong partnerships often yield better collaboration before and during audits.
- **Contractual Agreements:** Check if the signed contract includes audit rights. Many contracts specify the ability to conduct audits. If none, consider to negotiate with the supplier and include the relevant clauses in an addendum.
- **Communication:** Clearly communicate the audit objectives, intentions, and the audit process to ensure transparency.



## Importance

- **Quality Assurance:** Ensure that the supplier's products or services meet your quality requirements.
- **Compliance:** Verify adherence to regulatory and industry standards.
- **Risk Management:** Identify potential risks that could impact your operations.
- **Performance Improvement:** Assess supplier performance and identify areas for improvement.

## Data driven



### Sourcing

- Supplier diversity
- Supplier benchmarking (order quantum, total amount spend, KPI, etc.)



### Production

- Defects (finished goods)
- Equipment / system breakdown



### Warehouse

- Inventory turnover and aging
- Order fulfillment efficiency



### Delivery

- Route optimization
- Customer locations
- Incident and delays



### After-sales support

- Customer feedback / satisfaction level
- Knowledge base utilization
- Multiple channel utilization

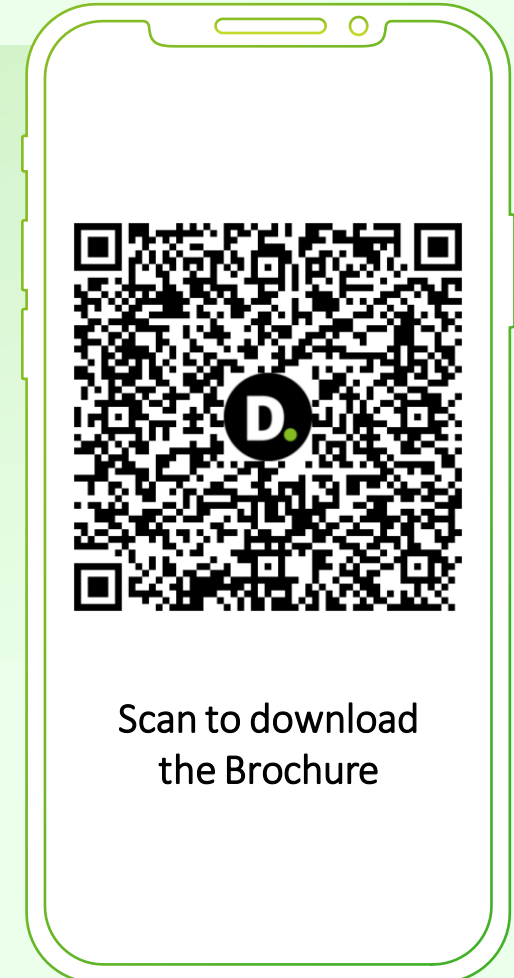
## Supply chain diagnosis

On top of the internal auditor considerations mentioned, an alternative is a **supply chain diagnosis tool**. It provides a comprehensive assessment which dives deep into the key segments of the company's supply chain to provide a clear overview of key focus areas.

### Approach

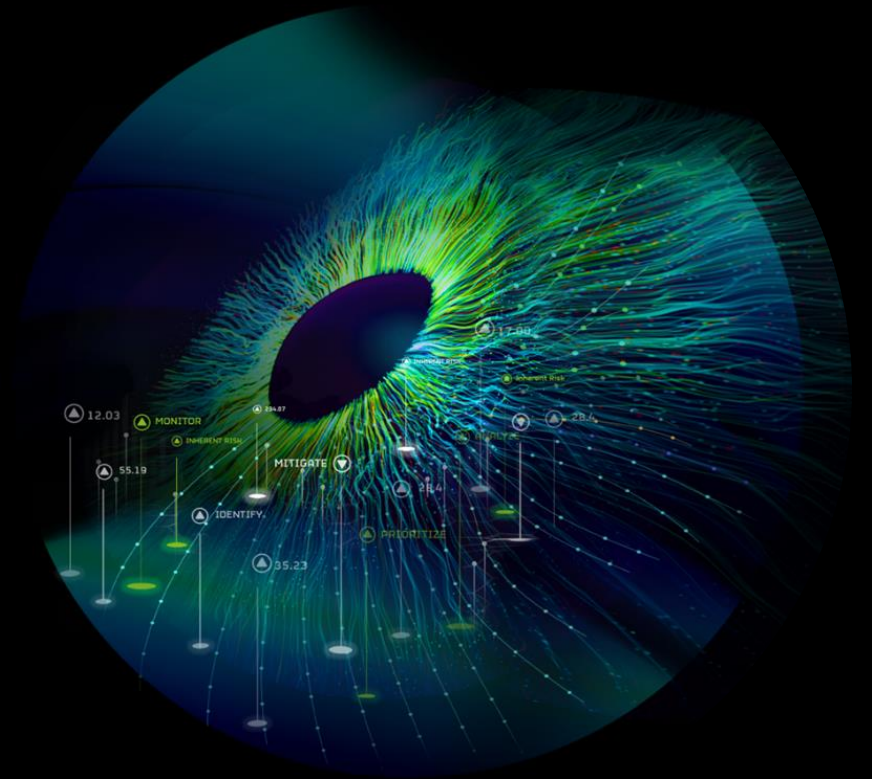
- Conduct a detailed evaluation of your supply chain, focusing on key segment of the supply chain.
- Leverage industry best practices to offer valuable insights and recommendations.
- Identify opportunities for improvement to enhance efficiency and effectiveness.

**Benefit to internal auditors:** A more targeted IA scope relating to Supply Chain

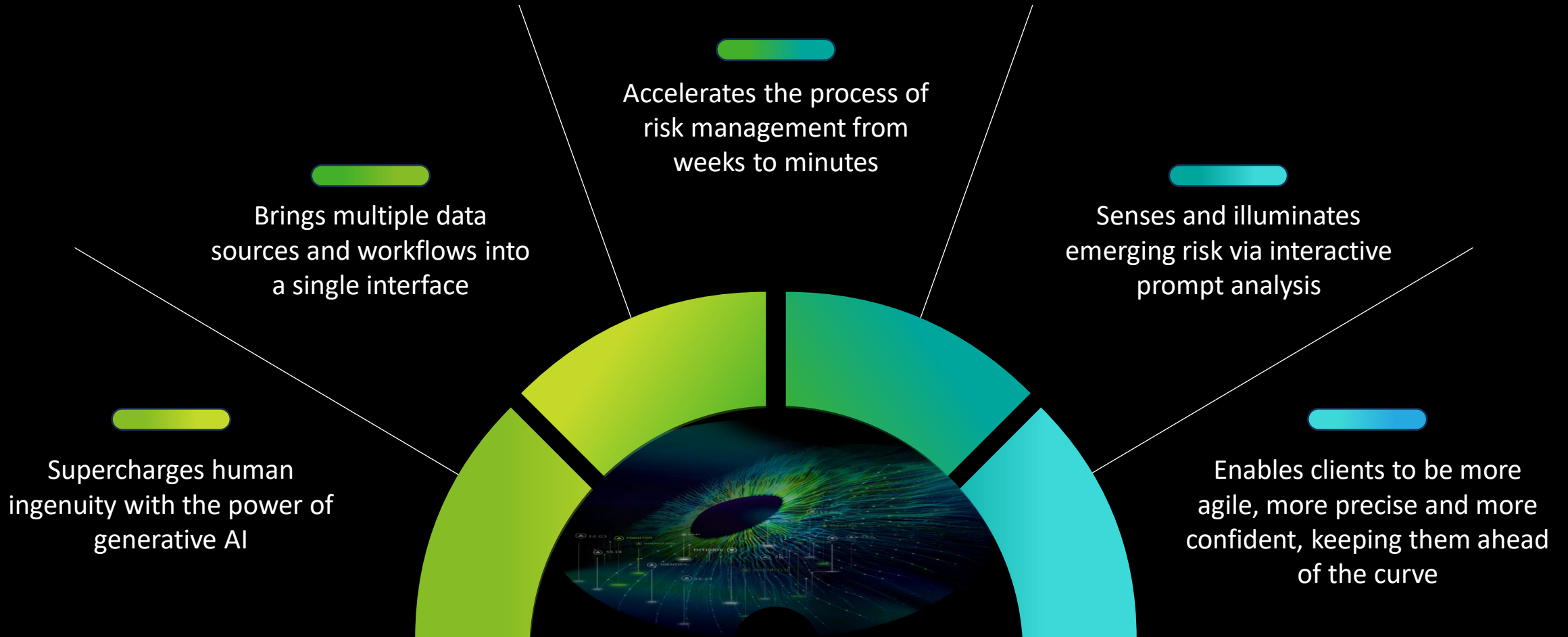


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**Risk Intelligence Illuminator** leverages GenAI to create a customized risk landscape in near real time, enabling organizations to identify and mitigate risk so they can move forward with confidence.



# Key Features - Built on generative AI-enabled workflows for performing analysis







## Cheryl Lim

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Cheryl co-leads the internal audit and enterprise risk management practice in Deloitte Singapore. She has over 16 years of experience in providing statutory audit, internal audit and Assurance services. She is the Project Partner delivering internal audit and Assurance services for a number of listed, government linked as well as multi-national corporations.

She also provides SOX consulting and attestation services to US and Japanese multi-national corporations.

Cheryl has a proven track record in serving clients from a range of diversified industries such as energy (including oil and gas), real estate (REIT and Asset Management), government, hospitality, gaming, food and beverage, manufacturing, and port management.

In relation to supply chain management, her clients include petrochemical logistics services providers, a leader in the supply chain industry and a multi-geography integrated specialised logistics provider.



## Andy Wee

Director  
Deloitte Audit & Assurance –  
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Andy has over 12 years of professional work experience in the area of Auditing (internal controls and financial), Enterprise Risk Management (advisory and implementation), corporate governance, business process review, establishing policy, implementing control self assessment framework and information system implementation. Andy is exposed to various industries such as the energy, resources and industrial, internet content and information, real estate, food and beverage, consumer (for online retail), pharmaceuticals, and the public sector.

### Supply chain management

In this area, he has audited companies in the industry of energy, manufacturing, food and beverage, consumer (for online retail). Besides identifying internal control weakness, he shares insights on potential cost savings practices. In his earlier employment, he was in the aviation/defence industry for 8 years where he was involved in managing optimal inventories to support requirements which involves 20,000 types of inventory, and considerable value per inventory item. This involves dealing with users, suppliers, and logistics support. He was also involved in the company wide upgrade of SAP which require setting the governance, strategy and operational aspects such as controls to prevent misuse of data, critical data to import, and data cleansing.

For a complimentary consultation to identify areas of internal audit scope on supply chain, scan the QR code!

