

Supplier Audit: Systematic On-Site Assessment of Suppliers

The supplier audit is a structured, generally on-site examination of a supplier with regard to quality, processes, capacities, compliance and performance capability. It is part of the standard toolkit of professional supplier management and provides the factual basis for selection, development and risk decisions. For buyers and supply chain managers, it is a central instrument for identifying supply risks at an early stage and developing suppliers in partnership.

Key facts

- A supplier audit systematically examines the quality management system, manufacturing processes, capacities and compliance against a defined catalogue of criteria.
- Typical audit types are potential, quality, process and re-audits as well as occasion-driven special audits.
- Audits often take place before supplier qualification, for critical components, before production start-up or after escalations.
- Rating scales of 1 to 5 per criterion are common in practice; a point score of around 80 per cent or more is frequently regarded as certification level.
- Audit reports contain rated findings, deviations with severity levels and deadlines for corrective actions.
- Supplier audits are a building block of supplier de-risking and complement metrics such as complaint rates or delivery reliability.

Definition: Supplier Audit

A supplier audit is the systematic, documented assessment of a supplier against predefined criteria, usually by personal inspection of its sites and processes. The aim is to verify actual performance capability beyond certificates and self-declarations. The result feeds into supplier evaluation, qualification and, where applicable, release decisions.

Distinction from Supplier Evaluation

Continuous supplier evaluation works with operational metrics such as delivery reliability, complaint rate and price level and is fed by ongoing data. The supplier audit complements this data with a direct on-site impression: it shows whether reported metrics are based on robust processes. The two instruments interlock, because recurring anomalies in the evaluation are a classic trigger for an audit.

Distinction from Certifications

Certifications such as ISO 9001 or ISO 14001 by independent bodies basically confirm an effective management system. However, they say nothing about specific suitability for a particular product, process or industry. This is precisely where the company-specific supplier audit comes in: it examines in an application-specific way whether the supplier can actually meet the requirements of one's own needs

– for example for critical safety parts or just-in-time delivery.

Types and Use Cases of the Supplier Audit

Depending on the occasion and the question at hand, different audit types are used. In practice, four basic types have become established, differing in scope, depth and timing.

Potential and Qualification Audit

The potential audit takes place before the contract is awarded and examines whether a candidate can meet the requirements at all: machine park, manufacturing methods, personnel, quality assurance, financial and legal situation as well as the logistics concept. Typical assessment content also includes the ability to manage the ramp-up at production start-ups and the willingness to conclude a quality assurance agreement. On this basis, the buyer decides whether the supplier is added to the list of approved sources of supply.

- Examination of manufacturing processes, metrology and inspection planning
- Assessment of the capacity and flexibility situation
- Clarifying the prerequisites for just-in-time or kanban delivery

Quality and Process Audit

Quality audits deepen the examination of the quality management system: documentation, traceability, measuring equipment monitoring, handling of non-conformities and process capability of critical characteristics. Process audits follow the material flow from goods receipt to dispatch and uncover weak points that remain invisible in day-to-day business. Especially with warranted properties or regulations such as RoHS, documented process control is decisive.

Re-Audit and Special Audit

Re-audits check at defined intervals – often one to three years depending on the risk class – whether approved suppliers continue to meet the requirements. Special audits are occasion-driven and are triggered by escalations: repeated part shortages, declining delivery reliability, change of ownership, site relocation or indications from complaint management. They serve root cause analysis and the decision on continued use, conditions or dequalification.

Methods and Procedure for Conducting the Audit

A robust supplier audit follows a structured process: preparation, on-site execution, reporting and action follow-up. Preparation largely determines the yield, because without prioritisation and advance information the audit remains superficial.

Preparation and Assessment Catalogue

Before the audit, record data is evaluated: historical metrics, complaints, delivery reliability, price development including discount scale checks where required. A criteria-based assessment catalogue structures the examination – often according to blocks such as management, quality, production, purchasing, logistics, compliance and sustainability. Priorities are based on product criticality and the supplier's risk class; for critical parts, more criteria apply than for C-parts. The supplier receives the catalogue and document request in good time, including any subsequent request for documents in advance.

On-Site Execution

On site, the auditor combines observation, document review and interviews: inspection of manufacturing and assembly, samples from production records and inspection reports, discussions with manufacturing, quality and logistics managers. What matters is the view of actual practice – for example, whether traceability really works at the machine or only exists on paper. A meaningful benchmark is the comparison of stated and actually found reference data, for example regarding capacity, shift and machine data.

Report, Scoring and Corrective Actions

The audit report documents findings, deviations with severity levels (critical, major, minor) and a rating on a uniform scale. The supplier is given a deadline, typically two to six weeks, to specify corrective actions with responsible parties and deadlines. The buyer follows up the effectiveness of the measures – ideally via structured action management – and documents this in the supplier master data.

Key KPIs for Steering the Audit Process

So that audits do not fizzle out as one-off exercises, companies steer the audit process itself using metrics. These measure coverage, the quality of execution and the effectiveness of measures.

Audit Coverage Rate and Rating Score

The audit coverage rate indicates what proportion of the procurement volume or of critical suppliers is covered by audits. The overall audit score – often on a 100-point basis – enables comparability across sites and years. In practice, values of around 80 per cent or more are considered a solid level; below that, targeted development or escalation measures are advisable.

Effectiveness of Measures

What matters is not the number of deviations found, but their sustained reduction. For this purpose, the closure rate of corrective actions within the deadline, the number of recurring deviations in follow-up areas and the development of operational downstream metrics such as delivery reliability, complaint rate or process capability (Cpk) of critical characteristics are used. If these metrics decline despite better audit scores, the measurement methodology itself should be questioned.

Risks and Controls Surrounding Supplier Audits

Supplier audits lose their value when they are run as a formality, results are not consistently implemented or the scope of the audit does not match the risk. Legal and ethical aspects also deserve attention.

Typical Pitfalls

Common weaknesses are: unbalanced assessment catalogues, auditing on a 'one-size-fits-all' basis instead of by risk class, missing action follow-up and conflicts of interest when the responsible buyer takes on the auditor role. Pure 'show audits' – well-rehearsed days followed by business as usual – also occur. One solution is the four-eyes principle: auditors from quality plus purchasing participation, separate from the operational management of the supplier.

Legal and Ethical Aspects

Supplier relationships are subject to antitrust requirements, for example when exchanging

competition-relevant information in the context of audits; this should be examined in advance and agreed with the legal department on a case-by-case basis. For sustainability audits, for example on supply chain responsibility, environmental protection or packaging law (VerpackG), the cadence, documentation and permissions must be clearly regulated. As a general rule, legal and compliance-related statements must be examined on a case-by-case basis – this article does not constitute legal advice.

The Audit in Combination with Other Steering Instruments

The supplier audit unfolds its greatest impact in interaction with other instruments: audit results feed into supplier evaluation and thus into award decisions. It connects with supplier de-risking because identified weaknesses form the basis of risk mitigation measures such as second sources or safety stocks. In price negotiations, for example when reviewing a price change clause or price adjustment clause, audit findings on efficiency and cost structure provide valuable arguments for product costing.

Current Developments and Digitalisation of the Supplier Audit

Audit practice is changing: remote audits, data platforms and risk-based preparation are increasing efficiency and validity. At the same time, the sustainability and compliance share in the assessment catalogue is growing.

Remote, Hybrid and Data Audits

Remote audits via video, guided live inspections and the exchange of digital document packages have held a firm place since the pandemic – particularly for preliminary checks or re-audits with a low risk class. For critical initial audits, the on-site appointment remains the gold standard, as on-site observation uncovers details that video transmission only partially reveals. In practice, a hybrid approach is establishing itself: data analysis in advance, remote examination of selected areas, and on-site audits only for the essential points.

Sustainability, Compliance and the Supply Chain

Sustainability criteria – energy, waste, human rights, supply chain due diligence – have long been an integral part of many audit catalogues. Buyers increasingly assess not only the direct supplier but also its supplier structures in critical upstream stages. Audits thus become a steering instrument for supply chain responsibility and at the same time support documentation obligations towards customers, authorities and investors.

Strategic Interlinking

Supplier audits provide input for strategic questions: in nearshoring considerations, audits or potential audits with candidates on site provide valuable assessments of feasibility. In the outsourcing potential analysis, audit results help to realistically assess the feasibility of external manufacturing. Likewise in the context of material classification – ABC and criticality analysis – priorities for audit requirements are derived from them.

Typical metrics

Overall audit score: typically $\geq 80\%$

Point value on a 100-point scale used as a release threshold in many audit catalogues

Audit coverage rate: often > 90% of A-part volume

Proportion of risk-relevant volume with a valid audit status

Corrective action closure rate: typically > 95% on time

Proportion of audit actions completed on time

Recurring deviations: target: 0 in follow-up areas

Deviations that recur despite previous corrective action

Cpk of critical characteristics: typically ≥ 1.33

Target value of process capability for safety- and function-critical characteristics

Practical Example

A medium-sized mechanical engineering company with a highly dependent, tailored supply portfolio repeatedly records late deliveries and a rising complaint rate from a supplier of precision components. Purchasing triggers a special audit: on site, it becomes apparent that the manufacturing team has been understaffed for months and that the production scheduling for parts of the range does not reflect the actual manufacturing situation.

- Assessment catalogue focusing on capacity, personnel and process capability of critical characteristics
- Classification of all deviations with severity level and agreed corrective deadlines
- Outlook on temporary safety stocks to bridge the risk
- Agreement of a re-audit in six months focusing on the effectiveness of the measures

Conclusion

The supplier audit is more than a quality control: it is the factual basis for supplier selection, development and risk mitigation. Its value depends largely on risk-appropriate preparation, a clear methodology and consistent action follow-up. Combined with metrics, supplier evaluation and strategic instruments such as supplier de-risking, this creates a robust steering logic. Those who take audits seriously reduce the risk of supply failure, demonstrably improve quality and strengthen their negotiating position on a fact-based foundation.

Frequently asked questions

What is a supplier audit and what is its purpose?

A supplier audit is a systematic, usually on-site examination of a supplier against defined criteria such as quality, processes, capacity and compliance. It serves to verify actual performance capability, identify risks early and provide the basis for qualification or award decisions. The results feed into supplier evaluation and action planning.

When should a supplier audit be carried out?

Typical occasions are new selection or qualification, the addition of critical components, the production start-up before a ramp-up, recurring complaints or declining delivery reliability. In addition, many companies examine approved suppliers in cyclic re-audits, often at intervals of one to three years depending on the risk class. Escalating events such as a change of ownership or site relocation justify a special audit.

Which criteria are examined in a supplier audit?

Common assessment areas are the management system, quality assurance and process capability, manufacturing and machine situation, personnel, logistics and capacities, purchasing, compliance, sustainability and the handling of non-conformities. For critical parts, traceability, measuring equipment monitoring and documented process control are added. The catalogue is adapted to product criticality and risk class.

How does a supplier audit work in practice?

After preparation, including the assessment catalogue and document request, the on-site visit follows: factory tour, document review and interviews with manufacturing, quality and logistics managers. The report documents findings, deviations with severity levels and an overall score. The supplier specifies corrective actions with deadlines, the effectiveness of which the buyer follows up.

Who carries out a supplier audit?

In practice, qualified auditors from quality management or purchasing take on this role; for complex matters, external service providers are used. It makes sense to separate the auditor from the operationally responsible buyer in order to avoid conflicts of interest. A two-person team made up of quality and purchasing is also common.

What is the difference between a supplier audit and a certification?

A certification such as ISO 9001 basically confirms an effective management system, but says little about suitability for a specific product or process. The company-specific supplier audit examines application-specific aspects – for example for critical safety parts or just-in-time delivery. The two complement each other and are not mutually exclusive.