

Audit Report — Confidential Company

Margin & Co. UAE · Audit #1 · Oct 24, 2026 · @Mike

Executive summary

The restaurant is losing an estimated **AED 86,450 a month (19.2% of AED 450,000 revenue)**, and 64% of it sits in one area: food cost and recipes (AED 55,000/month). If nothing changes, that is **AED 1,037,400 a year**.

The losses share three root causes rather than twelve separate problems:

- 1. No costed recipes or portion standards.** Without recipe cards there is no theoretical food cost, so the kitchen cannot be held to one. This drives the food-cost gap (AED 22,500), weak dish margins (AED 31,500) and bar variance (AED 3,000).
- 2. No controls on buying and stock.** No par levels, no price checks, monthly-only counts and unchecked deliveries mean money leaves through over-ordering and price creep before it reaches the plate (AED 4,950).
- 3. Untrained staff and no visibility for the owner.** Over half the team could not describe their role, discounts and voids are not reviewed, and some card tables are being closed as cash. Labour, POS leakage and overheads add AED 23,500.

Three priorities for the next 30 days: build costed recipe cards for the top 20 sellers; set par levels with a weekly count of the top 20 items; and switch on POS reporting for voids, discounts and payment-type changes, reviewed by the owner weekly.

Realistic recovery: AED 31,000–75,000 a month at full run-rate, with **AED 48,850/month as the expected case**. Allowing a three-month ramp-up, that is about **AED 513,000 in the first 12 months** against roughly AED 26,500 of investment.

Benchmarks

The restaurant misses the usual casual-dining targets on food cost, labour and controls; the gaps below are what the savings plan closes. Targets are typical industry ranges (approximate, not sourced from a survey).

Measure	Typical target	Audit evidence	Gap / implication
Food cost % of food sales	28–32%	Actual vs theoretical gap ≈ 5% of revenue; no theoretical cost exists	About 5 points above where recipes would put it

Measure	Typical target	Audit evidence	Gap / implication
Dish gross margin	65–72%	Margin shortfall $\approx$ 7% of revenue	Several dishes under-priced or over-portioned
Actual vs theoretical food cost	Within 2 points	Cannot be measured (no recipes)	Highest-value control missing
Bar stock variance	Under 2%	Waste not recorded, recipes not followed	AED 3,000/mo
Labour cost % of sales	Under 30%	Over target; overstaffed in quiet hours	$\approx$ 2 points of sales (AED 9,000/mo)
Voids % of sales	Under 1%	$\approx$ 1% (AED 2,000) with weak approval	At the limit
Discounts and comps % of sales	1–2%	$\approx$ 3% (AED 5,000)	1–2 points too high
Stock counts	Monthly full, weekly high-value	Monthly only	No early warning on theft or waste
POS subscription	Roughly AED 500–1,000/mo for one site	AED 2,000/mo	Renegotiate or switch
Prime cost (food + bev + labour)	Under 60–65% of sales	Not measured	Needs the monthly P&L

Detailed findings by area

Each area below gives what was found, why it happens, the risk, the fix, the number to track and who owns it. Areas are in order of monthly loss.

1. Food cost & recipes — AED 55,000/month (64% of losses)

- **Finding:** No recipe cards or recipe book exist and none have been costed in the last 3 months. Actual food cost runs about 5% of revenue above where it should be, and dish margins are short by about 7% of revenue.
- **Root cause:** Without a recipe card, each chef portions and garnishes by eye. Without a costed recipe, menu prices were never checked against current ingredient prices, which rose (meat) during the audit month.

- **Risk:** Highest of any area. Every cover sold leaks margin, and the leak grows with volume.
- **Actions:**
 1. Cost the top 20 sellers first (usually 70–80% of food sales), then the rest of the menu within 6 weeks.
 2. Photograph each plate and print laminated cards for each station, with gram weights and portion tools (scoops, ladles, scales).
 3. Run a menu-engineering review: keep stars, re-price or re-portion high-volume low-margin dishes, remove dishes that sell little and earn little.
 4. Load recipes into the POS so it reports theoretical food cost and can be compared with actual cost each week.
- **KPI:** Actual vs theoretical food cost within 2 points; every dish at 65%+ gross margin.
- **Owner:** Head chef, with the consultant for costing and menu engineering.

2. Labour & scheduling — AED 9,000/month

- **Finding:** Labour cost is above 30% of sales. The rota does not follow hourly sales, and more than half of staff could not describe their role.
- **Root cause:** No written SOPs or role descriptions, so extra people cover gaps that training would close.
- **Risk:** High. Overstaffing in quiet hours plus untrained staff causes both cost and service mistakes, which feed turnover and visa/recruitment costs.
- **Actions:**
 1. Pull 4 weeks of hourly sales from the POS and build the rota against covers per hour.
 2. Write one-page SOPs for each role (opening, closing, receiving, service, bar) and train against them.
 3. Cross-train so fewer people can cover quiet shifts; reduce through natural attrition rather than terminations where possible.
- **KPI:** Labour % of sales under 30%; sales per labour hour tracked weekly.
- **Owner:** General manager.

3. Sales, POS & voids — AED 8,000/month

- **Finding:** Discounts and comps run at about 3% of sales (AED 5,000), voids about 1% (AED 2,000), and some items leave the kitchen or bar without being rung in (AED 1,000).
- **Root cause:** No written discount policy, no manager PIN enforcement and no one reviewing the void and discount reports.

- **Risk:** Medium-high. Unreviewed voids and comps are the most common route for staff theft.
- **Actions:**
 1. Write a one-page discount and comp policy with limits per role.
 2. Require a manager PIN and a reason code for every void, discount and comp.
 3. Kitchen and bar make nothing without a POS ticket ("no ticket, no food").
 4. Owner reviews the void, discount and comp report every Monday, by staff member.
- **KPI:** Voids under 0.5%, discounts and comps under 2% of sales.
- **Owner:** General manager; owner reviews.

4. Overheads & contracts — AED 6,500/month

- **Finding:** The POS costs AED 2,000/month and cleaning and chemicals over AED 2,500/month; no funds are set aside for repairs.
- **Root cause:** Contracts were signed once and never re-tendered.
- **Risk:** Medium. Overpayment is certain; unplanned breakdowns add waste and lost sales.
- **Actions:**
 1. Get three quotes each for POS, cleaning/chemicals, pest control and laundry.
 2. Measure chemical use with dosing dispensers rather than free-pouring.
 3. Set a monthly repairs reserve and a preventive maintenance schedule for fridges, freezers and the hood.
- **KPI:** Overheads as % of sales, reviewed quarterly.
- **Owner:** Owner / general manager.

5. Beverage & bar — AED 3,000/month

- **Finding:** Bar waste is not recorded and drink recipes are not followed.
- **Actions:** Standard drink specs with jiggers; a bar waste sheet; weekly count of the top 15 bar items against POS sales.
- **KPI:** Bar variance under 2%. **Owner:** Bar supervisor.

6. Purchasing & suppliers — AED 2,750/month

- **Finding:** A meat price increase went unchecked (AED 1,250), and ordering is by guesswork with no par levels (AED 1,500).
- **Actions:** Set par levels for every stock item; one named person orders against them; compare top-20 ingredient prices monthly with a second supplier; flag any invoice price change above 3%.

- **KPI:** Price variance on top-20 items; stock on hand in days. **Owner:** Head chef (orders), GM (approves).

7. Storage & stock control — AED 2,200/month

- **Finding:** Full stock counts happen only monthly.
- **Actions:** Weekly full count, and a count of the top 20 high-value items every second day; investigate any variance over 2%.
- **KPI:** Weekly stock variance by item. **Owner:** Head chef / storekeeper.

8. Cash handling & banking — not quantified, high risk

- **Finding:** Some tables paid by card were closed in the POS as cash. Petty cash is not reconciled weekly.
- **Risk:** High even without a measured loss: this is a classic route for skimming cash.
- **Actions:** Daily reconciliation of card-terminal settlements to POS card sales; any payment-type change needs a manager PIN; petty cash reconciled weekly with receipts.
- **Owner:** General manager; owner spot-checks.

9. Receiving & deliveries — not quantified

- **Finding:** Deliveries are not always weighed, chilled and frozen stock sits out for hours, and suppliers arrive at unagreed times.
- **Risk:** Short weights go unclaimed; temperature abuse is both a spoilage cost and a food-safety and municipality-inspection risk.
- **Actions:** Train the kitchen team on receiving; weigh and temperature-check every delivery and log it; chilled stock put away within 15 minutes; fixed delivery windows agreed with suppliers in writing.
- **Owner:** Sous chef on shift.

10. Waste, delivery apps and compliance — not tested in depth

These show AED 0 because they were not quantified, not because they are clean. Next audit: a 2-week waste log; delivery-app commission, refund and packaging review; and a records check (temperature logs, food-handler certificates, HACCP).

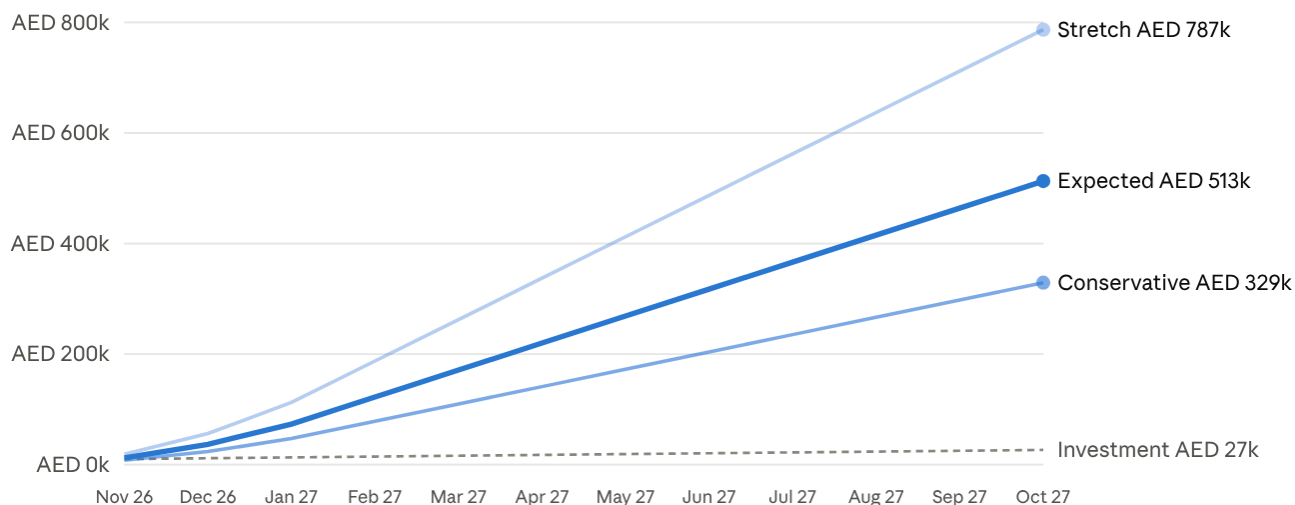
Savings scenarios

The expected case recovers **AED 48,850 a month (57% of losses)** once fully in place, from month 4. Not every leak closes fully: menu price rises meet customer resistance, and staff reductions take time.

Area	Loss / month (AED)	Conservative	Expected	Stretch
Food cost — actual vs theoretical gap	22,500	11,250	15,750	22,500
Food cost — dish margins / menu engineering	31,500	4,500	9,000	20,000
Food cost — recipe documentation	1,000	500	800	1,000
Labour & scheduling	9,000	4,500	7,000	9,000
Sales, POS & voids	8,000	4,000	5,500	8,000
Overheads & contracts	6,500	2,500	4,000	6,500
Beverage & bar	3,000	1,500	2,500	3,000
Purchasing & suppliers	2,750	1,500	2,500	2,750
Storage & stock control	2,200	1,100	1,800	2,200
Total per month	86,450	31,350	48,850	74,950
Share of losses recovered	—	36%	57%	87%

Expected case recovers about AED 513k in the first 12 months

Cumulative savings, with a 25% / 50% / 75% ramp-up in months 1 to 3



Monthly run-rates from the scenario table above; investment = AED 8,500 one-off + AED 1,500/month retainer

Even the conservative case returns about AED 329,000 in year one, more than 12 times the AED 26,500 investment.

90-day implementation plan

The plan front-loads the controls that cost nothing (POS settings, counts, policies) so savings start in month 1, while recipes and training build through months 2 and 3.

Weeks 1–2: Stop the obvious leaks

- ☐ Turn on manager PIN and reason codes for voids, discounts, comps and payment-type changes
- ☐ Write and post the discount and comp policy
- ☐ Start daily card-settlement vs POS reconciliation
- ☐ "No ticket, no food" rule in kitchen and bar
- ☐ Take a full opening stock count as the baseline
- ☐ Start a waste log in kitchen and bar
- ☐ Request quotes for POS, cleaning/chemicals, pest control and laundry

Weeks 3–6: Recipes, pars and buying

- ☐ Cost recipe cards for the top 20 sellers, with photos and gram weights
- ☐ Issue portion tools and laminated cards to each station
- ☐ Set par levels and a named ordering owner

- ☐ Compare top-20 ingredient prices with a second supplier
- ☐ Start weekly full counts and every-second-day top-20 counts
- ☐ Receiving procedure: weigh, temperature-check, log, put away within 15 minutes
- ☐ Agree fixed delivery windows with suppliers

Weeks 7–10: Menu, labour and training

- ☐ Cost the rest of the menu and load all recipes into the POS
- ☐ Menu-engineering review: re-price, re-portion or remove low-margin dishes
- ☐ Rebuild the rota against hourly sales
- ☐ Write role SOPs and run training for every role
- ☐ Standard drink specs and jiggers at the bar
- ☐ Sign new overhead contracts where quotes are lower

Weeks 11–13: Lock it in

- ☐ First full month of actual vs theoretical food cost
- ☐ Re-audit the top 15 checks and compare with this baseline
- ☐ Set the monthly KPI review with the owner
- ☐ Plan audit #2 covering waste, delivery apps and compliance

KPI dashboard

Ten numbers, reviewed on the frequency shown, are enough to tell the owner whether the leaks are closing.

KPI	Target	Frequency	Source	Owner
Actual vs theoretical food cost	Within 2 points	Weekly	POS recipes + stock count	Head chef
Food cost % of food sales	28–32%	Monthly	P&L	GM
Bar variance	Under 2%	Weekly	Bar count vs POS	Bar supervisor
Labour % of sales	Under 30%	Weekly	Payroll + POS	GM
Sales per labour hour	Rising month on month	Weekly	Rota + POS	GM
Voids % of sales	Under 0.5%	Weekly	POS void report	Owner

KPI	Target	Frequency	Source	Owner
Discounts and comps % of sales	Under 2%	Weekly	POS discount report	Owner
Card settlement vs POS card sales	Zero difference	Daily	Terminal + POS	GM
Top-20 stock variance	Under 2%	Every 2 days	Count sheet	Storekeeper
Supplier price changes on top 20	Every change over 3% flagged	Per invoice	Invoices	Head chef

Services, investment and payback

At the expected savings rate, the one-off services pay back within about the first month of savings, even with the slow ramp-up.

Service	Investment (from)	What is delivered	Areas it fixes
Menu Engineering & Costing	AED 3,000	Costed recipe cards for every dish, menu-engineering matrix, re-pricing plan	Food cost & recipes, Beverage & bar
SOP & Training System	AED 5,000	Role SOPs, receiving and stock procedures, staff training sessions	Labour, Receiving, Storage, Sales/POS
POS setup	AED 500	Recipe loading, PIN and reason-code controls, owner reports	Sales/POS, Cash, Food cost
Monthly Performance Retainer	AED 1,500/month	Monthly KPI review, variance investigation, supplier price checks	All areas

Year-one totals (expected case): investment about AED 26,500 (AED 8,500 one-off + AED 18,000 retainer); savings about AED 513,000; net gain about AED 486,000. Month-1 savings of about AED 12,200 alone cover the AED 10,000 spent that month. Final quote after a short scope call.

Data still needed and assumptions

The estimates above rest on audit observation; these items would firm them up before audit #2.

- ☐ Last 3 months' P&L, to measure actual food, beverage and labour cost %
- ☐ POS product-mix report for 3 months, to rank dishes for menu engineering
- ☐ 4 weeks of hourly sales and the current rota
- ☐ Supplier invoices for the top 20 ingredients over 6 months
- ☐ Current POS, cleaning, pest-control and laundry contracts with notice periods
- ☐ Delivery-app statements (commission, refunds, promotions)
- ☐ Staff list with roles, salaries, overtime, accommodation and visa costs

Assumptions: monthly revenue AED 450,000, flat for 12 months; percentages of revenue as estimated on site; savings ramp 25% / 50% / 75% in months 1-3; benchmark targets are typical industry ranges, not a sourced survey; all figures in AED excluding VAT.