Finance Procedure - Stocktaking Trading Enterprises

Section 1 - Purpose

(1) This procedure supports the Finance Management Policy and:

a. ensures that financial and audit control standards are in place in maintaining a complete inventory mapping system and conducting stocktaking procedures,
b. formalises the process for the coordination of trading enterprise stock takes,
c. defines the responsibility of budget centre managers involved with inventory control systems, stock takes, and reporting requirements, and
d. establishes a set of procedures to assist stocktaking procedures for the trading enterprises.

Scope

(2) This procedure applies to all Charles Sturt University trading enterprises and controlled entities that operate and maintain a stores/stock inventory.

Section 2 - Glossary

(3) Nil.

Section 3 - Policy

(4) See the Finance Management Policy.

Section 4 - Procedures

Roles and responsibilities

(5) The Financial Accountant (Assets), Division of Finance:

a. is responsible for coordinating and oversight of all the trading enterprise stock takes. This is to be consistent, compatible and complementary with existing University asset stock takes,
b. is to provide relevant information to stakeholders so as to allow appropriate forward planning in relation to the conduct of stock takes,
c. must ensure that stock takes for trading enterprises are conducted at least twice each year i.e. 30 June and 31 December. The 31 December stock take being the most critical to assist with the University annual financial statements, and
d. must ensure that in accordance with instructions, two members of staff conduct the stocktake, one member must be independent and in no way responsible for the stock.

(6) Budget centre managers of trading enterprises:

a. operate and maintain a perpetual inventory control system of acceptable control standard that provide a range of data that qualifies and quantifies the current state of the store's inventory,
b. provide an analysis of variances between stock counts and the inventory system. Losses due to suspected fraud or theft must be referred to the Internal Auditor via the Financial Accountant (Assets) and
c. sign-off that an analysis of the stocktake results has been conducted, and that the following stocktaking procedures (at clauses 10 to 18) have been complied with.

Coordinating the stock takes

(7) The Financial Accountant (Assets) is to coordinate the stock takes by liaising with the budget centre managers that are responsible for an inventory, giving consideration to:

a. the final trading dates at year end,
b. the ability for officers appointed by the Division of Finance and Internal Audit staff to attend the stocktakes,
c. the conduct of stocktakes as close to 30 June and 31 December each year, and
d. providing budget centre managers with sufficient time to allow for appropriate planning.

(8) Stocktake dates can only be changed by liaising with the Financial Accountant (Assets). (Counts at the University farms may be completed as at the last muster.)

Preparing for the stocktake

(9) In association with the stocktaking procedures, the budget centre manager should consider the following prior to conducting the physical count:

a. Establishing cut-off points for receiving and dispatching stock, inter-store transfers, and loaning merchandise. These cut-off points and store closures should be communicated with staff and the University community.
b. Recruiting and training sufficient staff for the stocktake.
c. Preparing a list of stock in the order that the stocktake is likely to be conducted, including the stocked item's name, size, inventory number (if applicable), and cost price.
d. Tidying and arranging (or grouping) stock to minimise or make counting easier.

Conducting the count

(10) An officer appointed by the Division of Finance must be in attendance at all stocktakes conducted. Representatives from internal and external audit will attend those stocktakes as deemed appropriate.

(11) Stocktake sheets should include the minimum of the stocked item's name, size, inventory number (if applicable), cost price, and quantity on hand.

(12) The appointed officer of the Division of Finance is not to participate in the stock count, they are to remain as an independent and objective observer of the count.

(13) The following are suggested procedures for conducting the stock count:

a. Prepare an inventory list to compare to the physical count.
b. Count the stock in a logical order, normally left to right, top to bottom.
c. Work from the stock to the stock sheet otherwise you may overlook an item.
d. When counting is finished, collect all the stock sheets.
e. Check that all sheets are accounted for and signed by the person who conducted the count.
f. Do not alter stock for a few days should you need to recount the area.

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(14) Things to consider on the day of the stocktake include:

a. storing goods received on the day,
b. storing goods previously received and have not been inputted on the inventory system,
c. accounting for customer credits not processed,
d. accounting for stock on loan, and
e. accounting for stock transfers.

Analysing stocktake results

(15) Stock is to be valued at the lower of "cost" price and “net realisable value” by the budget centre manager.

(16) The results of the stocktake are to be analysed in respect to:

a. fast and slow moving stock,
b. low levels of stock,
c. abnormal stock movement,
d. stock losses,
e. damaged stock, and
f. dead stock and the cost of dead stock.

(17) Budget centre managers are to analyse material variances between stock counts and the inventory system. They should:

a. identify and explain the likely causes of the variance or stock losses. An examination of the physical layout of the store and current inventory procedures is suggested,
b. implement a plan to minimise or eliminate these problems such as reviewing the adequacy of the inventory control system, separation of duties, handling of stock, and security,
c. communicate the revised security procedure to staff, and
d. monitor and maintain the new security procedures.

Signing-off

(18) A sign-off letter should include:

a. stocktake analysis results,
b. inventory system improvements,
c. report on stock losses and how they occurred,
d. requests to write-off stock,
e. the value of stock on hand at the lower of "cost" price and “net realisable value” and
f. certification as follows:

> “I certify that, as at (enter date here), inventories, stores and materials, in possession of (enter name of Trading Enterprises here), charged to the inventory, is in existence, in good order and condition and are suitable for use. Valuation is based on cost/net realisable value. All statutory reporting requirements have been completed”.

Trading statement summary

(19) The sign-off letters and a summary of closing stock values are to be sent to the Financial Accountant (Assets) to

support the University's end of financial year statements.

Section 5 - Guidelines

(20) Nil.

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