

# INVENTORY STOCKTAKE PROCEDURE

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## 1 PURPOSE

1.1 This procedure outlines the process for conducting physical stocktakes of CQUniversity inventory.

## 2 SCOPE

2.1 This procedure applies to the physical stocktake of inventory at the following CQUniversity facilities:

- CQUniversity Bookshop, and
- Bird Cage Bar and Lounge and Bird Cage Cafés (Bird Cage Venues).

2.2 This procedure does not apply to:

- The CQUniversity Community Sports Centre has a small amount of stock; however, the total value is not currently material, and annual stocktakes are not required. Should the value of this stock substantially change, this decision will be reviewed.
- Inventory held at CQUniversity training restaurants (currently Willby's Training Restaurant and the 5<sup>th</sup> Floor Training Restaurant). Refer to the [Hospitality Conducting Sessions, Control and Reconciliation Procedure \(VET\)](#) for management of this inventory.
- assets and portable attractive items. Refer to the [Assets and Portable and Attractive Items Stocktake Policy and Procedure for verification of these assets](#).

2.3 This policy forms part of the University's financial management practice manual, which contributes towards meeting the University's obligations under the [Financial and Performance Management Standard 2019](#) (Qld), by ensuring the existence of an effective asset management system to facilitate the identification, management and recording of assets.

### 3 PROCEDURE

- 3.1 Physical counts will be conducted in compliance with this procedure. Independent 'spot-checks' of inventory may be undertaken upon request throughout the year.
- 3.2 Physical stocktakes will be conducted at least annually. The CQUniversity Bookshop will use the scanner method of stocktake. Guidelines for carrying out stocktakes at the Bird Cage Venues are available on [StaffNet](#).
- 3.3 A Stocktake Coordinator will be appointed to oversee the operations of each stocktake. Suitable candidates for the Stocktake Coordinator role include the Manager Commercial Services, the Finance and Business Development Officer and the Operations and Purchasing Officer.

#### Inventory count process

##### Pre-inventory count

- 3.4 Planning is the most important stage in conducting a successful inventory count. This stage involves:
- establishing priorities
  - assigning responsibilities
  - setting up a problem resolving mechanism (e.g. a chain of command)
  - determining the inventory method
  - coordinating activities, and
  - determining an inventory count date and time and communicating to those involved.
- 3.5 The Stocktake Coordinator is responsible for coordination and completion of the inventory stocktake. As part of this role, the Stocktake Coordinator will:
- use the [Stocktake Checklist](#) to ensure this procedure is complied with
  - organise employees to participate in the stocktake (counters), and
  - ensure that Financial Accounting (or their representative) is available to supervise the sampling of physical inventory and the follow up of variances. If the stocktake is completed outside standard business hours, the sampling of physical inventory count must be completed prior to the re-commencement of trade.
- 3.6 Stock to be counted will be identified before the physical count is undertaken. This may include:
- cleaning up the store area to ensure redundant stock and damaged stock returned to the store, is disposed of, and taken out of the inventory system
  - rearranging stock so that like items are grouped together and any excess storage locations noted
  - ensuring employees are familiar with the inventory to be counted, particularly stock that may provide counting problems (i.e. stock stored on shelves above head level, heavy or hazardous material)
  - determining the source of, and obtaining, as much unit cost information on items expected to be in the inventory. This will minimise the amount of pricing work needed after the physical count
  - ensuring that the receiving dock/area is isolated from the store area and that any goods received prior to the count is identified and excluded from the count
  - identifying obsolete stock and making arrangements to dispose of, or exclude, it from the physical count. Goods that are to be excluded should be clearly marked and located away from other inventory
  - identifying locations in which stock is located and assigning these areas to counting teams, and
  - excluding stationery that has been issued out for the administration of the store. Refer to the [Administrative office supplies and equipment](#) section.
- 3.7 Estimate inventory levels will be developed for comparison with the actual count to test the reasonableness of the count. This will assist in exposing counting mistakes and avails counters the opportunity to take corrective action.

- 3.8 On the day before the physical inventory count, stock will be checked to ensure that goods received are entered into the inventory system before the count is undertaken.

### **Instructions**

- 3.9 Detailed inventory stocktaking instructions will be prepared and distributed. These instructions will clearly outline the roles and responsibilities of all involved in the count. A practice inventory counting session may be helpful to those who have not previously participated in a physical count.
- 3.10 Counters will be given both verbal and written instructions of the stocktaking procedures before the count commences.

### **Inventory count day**

- 3.11 Employees conducting the physical stocktake will:
- be assigned areas to the count
  - if the manual method of stocktake is used, be issued with stock count sheets that do not include stock on hand numbers but identify details of the unit of measurement to be used e.g. sheets, cartons, reams etc. If the scanner method of stocktake is used, issued with scanners
  - count/scan stock within the areas assigned:
    - if the manual method of stocktake is used, care should be taken to correctly identify stock, carefully count and record stock ensuring that the quantities recorded is in the correct unit of measurement, e.g. sheets, cartons, reams etc.
    - if the scanner method of stocktake is used, after a predetermined number of entries (to be determined by the capacity of the scanner) have been scanned, the scanner will be downloaded and recorded by a person separate to the counter. Items recorded by the scanner will be printed and placed next to the last time scanned (for audit checks).
  - sign the stocktake sheets
  - assist Financial Accounting (or their representatives) to supervise the sampling count and verify that quantities recorded are correct
  - mark stock once it has been counted to ensure it is only counted once
  - investigate discrepancies as directed by the Stocktake Coordinator and recount stock as requested
  - ensure that items within their assigned area are included in the count, and
  - advise the Stocktake Coordinator if they believe stock is damaged or obsolete. The Stocktake Coordinator will determine if the stock is to be included in the count.
- 3.12 The Stocktake Coordinator will ensure that:
- employees conducting the count are properly instructed in this procedure
  - stock has been marked as counted
  - quantities recorded are in the correct units
  - variances are investigated and the methods used to identify variances are reported
  - independent observers and supervisors have adequate opportunity to participate in, supervise and conduct test checks on the physical inventory
  - any proposed adjustments to stock are approved by the Chief Operating Officer, and
  - steps of the stocktake process, including counts, investigations of variances, valuations and write offs are adequately documented.
- 3.13 The Stocktake Coordinator will release storage areas to production/sales after they are satisfied that stock has been counted, test counts have been completed and variances properly investigated from that particular area. A final tour will be made before the release of an area to ensure all stock has been included in the count.

## **Post-inventory count**

- 3.14 Once the count is completed stock numbers will be compared to the perpetual inventory from the stock system.
- 3.15 Variances will be investigated by re-counting stock on the ground, and verifying records of receipts and deliveries to ensure that no counting or cut-off errors have occurred.
- 3.16 Sample comparisons will be made of the completed stock count sheet with the stock on hand. Errors will be corrected and evaluated as a basis for possible expanded sampling. If a master inventory listing is available, the count sheet information should be compared to this record. Any discrepancies must be investigated and resolved.
- 3.17 After stock has been counted and discrepancies checked, on the Stocktake Coordinator's authorisation, the stocktake will be closed and records updated to reflect the levels of the count. A further inventory valuation report will be printed to compare with the pre-stocktake valuation. The difference should match the total variance report.
- 3.18 Evaluate the count procedures applied and determine how these procedures may be modified to improve the next count. The best time to make adjustments to the following year's inventory instructions is immediately after the current year's count is completed.

## **Observation tools and supplies**

### **Manual method**

- 3.19 If the manual method of stocktake is used:
  - print stocktake count sheets
  - issue measuring instruments, clipboards and other items necessary to conduct the count, and
  - determine how the inventory will be listed and extended in the inventory summary i.e. by department using a standard spreadsheet software package, alphabetic by part name using a customised inventory summarisation program on an in-house computer, numeric by part using data base software, etc.

### **Scanner method**

- 3.20 If the scanner method of stocktake is used, scanner/s will be made available to conduct the count. Employees involved in scanning stock will be trained in how to use the scanner/s. Additional barcode labels will be available for difficulties in reading labels.
- 3.21 The Stocktake Coordinator will ensure that necessary preparation to produce variances reports have been finalised before the count is undertaken.

## **Operations**

- 3.22 During a physical inventory, arrangements will be made for operations to be halted, or at least conducted at a minimal level, to reduce the movement of inventory. A log to document movements of materials during the counting will be prepared.
- 3.23 The Stocktake Coordinator will ensure that the receiving dock/area is quarantined during the period of the stocktake. Deliveries of stock will take place the day prior to counting, to ensure that only essential deliveries take place on the day of the count. All such deliveries will be documented and care taken to ensure that they are correctly recorded for the stocktake.

## **Administrative office supplies and equipment**

- 3.24 Office supplies not used in production or not held for resale such as pencils, paper, boxes of tissues etc. will be expensed when purchased and excluded from the physical count.

## Quality control procedures throughout the year

- 3.25 The Stocktake Coordinator will undertake sample physical count of inventory throughout the year. The sample will focus on areas of high risk e.g. where there is a high level of shrinkage in the past and high value items.
- 3.26 Performance reports relating to random physical verification will be made to the Chief Operating Officer.

## Change of responsible officer

- 3.27 When the Manager Commercial Services or Operations and Purchasing Manager, who are responsible for inventory changes, cease employment, a full stocktake of all inventories will be conducted. The new appointee will sign acceptance of the inventory from the outgoing incumbent upon completion of the stocktake and remedial action as required.

## Potential risk of non-compliance

- 3.28 Non-compliance of this procedure may result in:
- stock shrinkage, breakage or theft could be left undetected
  - stock, and thus cost of sales could be misstated in the financial statements
  - if the stocktake is not properly conducted, count results could be incorrect and consequently adjustments could distort perpetual stock records
  - cut-off errors could result
  - stock could be double counted or excluded from the count
  - stocktake quantities could be manipulated, or
  - stock already sold/issued for production could be included in the count.

## 4 RESPONSIBILITIES

### Compliance, monitoring and review

- 4.1 The Chief Operating Officer is responsible for implementing, monitoring, reviewing and ensuring compliance with this procedure.
- 4.2 Management of the relevant business areas are responsible and accountable for stock items in the custody of their respective business area and for ensuring compliance with this procedure.

### Reporting

- 4.3 The Annual Stocktake Report (a summary of the variances) will be forwarded to the Chief Operating Officer for approval and final sign-off. The Chief Operating Officer may accept the adjustments or reject the stocktake, or part thereof, or appoint an independent person to enquire into the deficiency or result. The Annual Stocktake Report must be completed, including receiving final sign-off, by the 31st December each year.
- 4.4 Once approved, the Annual Stocktake Report, stock valuation report and Stocktake Check List will be forwarded to Financial Accounting. Any identified stock losses (not including obsolete stock) will be recorded on the Losses Register. The Losses Register will be reviewed and signed off on a quarterly basis by the Chief Operating Officer. A journal will be completed in the Financial Management System (by the Financial Accounting Team) to recognise this amount.

## Records management

- 4.5 Communication and documentation pertaining to the stocktake (including all variance analysis, manual verifications, extension requests and sign-off forms) will be maintained by the Financial Accounting Team in a relevant file for audit review.
- 4.6 Employees must manage records in accordance with the [Records Management Policy and Procedure](#). This includes retaining these records in a recognised University recordkeeping information system.
- 4.7 University records must be retained for the minimum periods specified in the relevant [Retention and Disposal Schedule](#). Before disposing of any records, approval must be sought from the Records and Privacy Team (email [records@cqu.edu.au](mailto:records@cqu.edu.au)).

## 5 DEFINITIONS

- 5.1 Terms not defined in this document may be in the University [glossary](#).

## 6 RELATED LEGISLATION AND DOCUMENTS

[Financial Accountability Act 2009](#) (Qld)

[Financial and Performance Management Standard 2019](#) (Qld)

[Inventory Stocktake StaffNet Page](#)

## 7 FEEDBACK

- 7.1 Feedback about this document can be emailed to [policy@cqu.edu.au](mailto:policy@cqu.edu.au).

## 8 APPROVAL AND REVIEW DETAILS

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Notes	This document was formerly known as the Physical Stocktake for all University Inventory Procedure (FMPM) (last approved 15/03/2017) and the Inventory Stocktake Procedure (FMPM) (last approved 03/09/2020).