13.1 Inventory – Supply and Resale

Policy Statement

It is the policy of the Province of Nova Scotia (Province) to record inventory in accordance with Canadian public sector accounting standards (PSAS). This policy sets government-wide standards for inventory management and creates a framework that can be used to establish procedures for individual departments.

Definitions

INVENTORY

Goods that are:

a) in the form of materials or supplies to be consumed in the production process;

b) in the form of materials or supplies to be consumed or distributed in rendering of services;

c) held for sale or distribution in the ordinary course of operations; or

d) in the process of production for sale or distribution.

INVENTORY HELD FOR CONSUMPTION OR USE

Materials and supplies maintained to enable the delivery of goods and/or services. The materials and supplies will be consumed or used through ordinary operations.

INVENTORY HELD FOR RESALE

Goods held for sale in the ordinary course of operations and, therefore, are expected to provide resources to discharge existing liabilities or finance future operations.

NET REALIZABLE VALUE

The estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

REPLACEMENT COST

The cost the Province would incur to acquire the same piece of inventory on the reporting date.

Policy Objectives

The objective of this policy is to define the appropriate recording and reporting of inventory held for consumption or use and inventory held for resale. It addresses the recognition, measurement, and presentation of inventory held by the Province.

The goal of the policy is to establish a framework that will lead to procedures that are consistent across all government departments yet flexible in order to deal with a variety of situations in the most efficient and effective manner. Inventory, if not properly managed, can result in sub-optimal use of cash and, therefore, should be monitored regularly.

Application

This policy applies to all of the Province's departments, public service units, agencies, boards, and commissions contained in the General Revenue Fund (hereinafter referred to as "departments").

Organizations outside of the General Revenue Fund (GRF) but within the Government Reporting Entity[1] (GRE) are encouraged to adopt a policy that allows for the accurate and consistent reporting of inventory. This policy should be in compliance with the entity's generally accepted accounting framework. It is recognized that many entities may already have an appropriate policy in place.

Policy Directives

RECOGNITION

Inventory can only be recognized in the Province's accounting records when its existence has been established. Any inventory owned by the Province, including items held by third parties, must be recorded in the accounting records.

MEASUREMENT

Inventory held for resale is measured at the lower of cost and net realizable value. Inventory held for consumption or use is measured at the lower of cost and replacement cost. Inventory of livestock is valued at fair value less costs to sell.

Cost shall include all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Cost should be determined by the application of an appropriate cost formula (specific identification, First In-First Out, or weighted average cost). The same cost formula shall be used for all inventories having a similar nature and use.

1 For definition, see Corporate Administrative Policy Manual #200, Chapter 4.1 Government Reporting Entity.

CLASSIFICATION

The inventory of the Province is to include 'Inventory held for consumption or use' as well as 'Inventory held for resale'. It is important that each department make this distinction as it determines the classification between non-financial and financial asset, respectively. See Appendix 13-A for a list of examples of what is expected to be included in inventory. The list in not all-inclusive - professional judgement is required.

CONTROLS

Each department must implement controls to ensure the accurate and complete reporting of inventory.

Policy Guidelines

RECOGNITION

Inventory Existence **-** The nature of the departments' operations could impact the type of work done to establish the existence of the inventory. The use of the SAP Inventory Module will also impact the ability to choose amongst acceptable alternatives. In a very well controlled environment full physical inventory counts are not necessarily required. To avoid the full physical inventory count, the computer system must be updated regularly (likely daily, or at least weekly) and there must be an adequate system of cycle counts in place to ensure all items are counted at least once per year. The following paragraphs discuss the different inventory count alternatives.

1) 100% Physical Inventory Counts

Inventory not set up on a perpetual system with established cycle count procedures must be counted annually on March 31, the fiscal year-end. Where this date is not practical given operational concerns, the count must occur within five (5) business days of March 31 (before or after year-end would be considered acceptable, as would a weekend date falling within this time frame).The shipping and receiving records for the period between the count date and year-end must be retained and made available for review.

In *rare circumstances*, an example being certain seasonal and slow moving inventory items (e.g., components of Public Works County Stock) other count dates might be appropriate. The department must communicate the situation with Government Accounting in advance and be able to show at year-end that the movement of the inventory was *minimal*. The department must be able to produce printed report(s) and supporting audit evidence to the Office of the Auditor General at year-end to corroborate that inventory movement was minimal.

2) Periodic Cycle Counts

Cycle counts are considered acceptable if inventory is accounted for on a perpetual computer system, and the system is found to be accurate (i.e. the records are updated regularly and very few adjustments are made resulting from the count, and these adjustments are not considered significant in quantity or value). If the system is proven unreliable (i.e. significant variations between system quantity on hand and actual quantity on hand, or the differences result in significant monetary adjustments), full physical counts will need to be conducted at year-end.

The Cycle Count program should ensure all items are counted at least once per year, and higher value stock, higher turnover stock, and stock susceptible to misappropriation should be counted at least twice per year. Cycle counts, therefore, should be on a program of at least one count each month, and could be structured so that there is a count as often as every day. Operational concerns must be considered by each department.

3) Inventory Not Susceptible To Direct Physical Verification

Where inventory held is of a nature where direct physical observation is not possible, appropriate alternate procedures must be documented and carried out. Gravel, salt, lumber, oil, livestock, and fish are examples of items that likely would not be susceptible to direct physical inventory counts. In such circumstances the involvement of specialists (those with in-depth knowledge of the inventory in question) would be expected. Measurements, or other count techniques, of the stock in question would therefore be taken and converted to the inventoried unit. Any conversions should be supported by industry standards that are maintained to support all calculations.

The timing of the verifications would be expected to be similar to the timings required for all other inventory (cycle counts periodically through the year or full physical counts at least once per year).

4) Inventory in the custody of third parties

Inventory that remains the property of the Province but that is in the custody of third parties must be verified. The verification of this type of inventory should be obtained through sending out inventory confirmations to the entities holding the Province's inventory. Appendix 13-B, Draft Inventory Confirmation Letter, should be used for this purpose.

5) Total Inventory of Department less than $500,000

As the objective of this policy is to provide useful information to management, and to ensure the proper accounting standards are adhered to, a count does not need to be completed if the department's total inventory is estimated to be less than $500,000. In this case, departments are still responsible to ensure appropriate controls are in place that address the risk of theft/fraud and ensuring completeness, accuracy, and existence of the amounts reported in SAP. Should the department choose to complete a count, the processes outlined in this policy should be followed; however, it will be acceptable for management to estimate the value of inventory and certify that their best estimate of total value is less than $500,000. In such cases, departments should complete and submit to Government Accounting the Certification Inventory <$500,000 Form see Appendix 13-C. The individual signing this certification should document, for audit purposes, the process followed to determine the estimated value.

Recognition as an Expense - When inventories are sold, exchanged, or distributed, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed, or the related service is rendered. The amount of any write-down of inventories and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The reversal of any write-down of inventories shall be recognized as a reduction in the amount of inventories expensed in the period in which the reversal occurs.

MEASUREMENT

Elements of Cost - The elements of cost vary depending on the type of inventory being carried. The cost of raw material inventory and inventory purchased for resale or consumption is considered to be the purchase cost. Purchase costs include invoice cost, duties, and freight-in charges. Should there be any instances of work-in progress or finished goods that were produced by the Province, the cost would include the purchase costs plus any conversion costs. Conversion costs include any labour directly attributable to the project and an applicable share of fixed and variable overhead expenses. It is expected that there will be minimal instances where labour or overhead allocations would be appropriate.

Cost of inventory would not include items such as freight-out (this is a shipping or distribution charge), warehousing, or selling costs. Generally, once the product is in the final form (the form in which it will be sold or consumed), costs are no longer inventoried to the product.

Inventories may be transferred to the Province by means of a non-exchange transaction, exchange for no (or unequal) consideration. Where inventories are acquired through a non-exchange transaction, their cost should be measured at their fair value on the date of acquisition, except in circumstances where the value canot be reasonably determined, in which case they are recognized at nominal value. For example, the cost of donated medical supplies from the federal government in a medical emergency or the aftermath of a natural disaster is recorded at the fair market value of the donated goods on the date they are acquired, if cost information is readily available. In these instances, Government Accounting should be consulted.

Cost formulas - The appropriate cost formula will depend on the nature of the inventory in question. Potential costing methods include:

1) Specific Identification - the exact cost of the item in question is tracked and maintained.

2) First In, First Out (FIFO) - assumes that the items of inventory that were purchased first are sold/distributed first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced.

3) Weighted Average Cost - the cost of each item is determined by calculating the weighted average cost of all such items held/acquired during the period in question.

The expectation is that the majority of the Province's inventory will be comprised of a large number of items that are ordinarily interchangeable. In this situation, the weighted average cost approach is considered most suitable unless a strong argument can be made in favor of the FIFO method. The same cost formula should be used for all inventories having a similar nature and use to the Province. For noninterchangeable, distinct items of inventory, specific cost identification should be used. The cost formula selected should be applied consistently over time, unless a change is justified.

Inventory valuation - Inventory must not be carried in the accounts of the Province at a cost higher than its fair value. Management must therefore complete periodic reviews of all inventories under their responsibility to assess valuation. Management must consider items such as damaged stock, obsolete stock, and market conditions. If valuation adjustments are required to reduce the carrying value of inventory to the net realizable value (or replacement cost), such adjustments must be approved by the department's Director of Financial Services if the adjustment is $10,000 to $25,000 and the Deputy Minister if the adjustment if greater than $25,000.

The valuation of inventory is to be considered on an item-by-item basis rather than as a pool inventory unless the items in question cannot practicably be evaluated separately from like items. Valuation adjustments can be reversed if conditions improve at a later date. When the circumstances that previously caused inventory to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down can be reversed. The reversal is limited to the amount of the original write-down so that the new carrying amount is the lower of the cost and the revised net realizable value. This can occur, for example when an item of inventory that is carried at net realizable value because its selling price has declined, is still on hand in a subsequent period and its selling price has increased.

Inventory that is considered obsolete should be disposed of within six months of this determination. This is important to mantain meaningful inventory records and efficient physical management of quality stock.

CLASSIFICATION

I*nventory Held for Consumption or Use (Non-Financial Asset)* - The materials and supplies in this category will be consumed through the provision of public goods or services. Such materials are generally expected to be used within one year of acquisition or are expected to be on hand as a repair item that could be required within one year of acquisition. Items that would otherwise be considered Tangible Capital Assets (TCA), were it not for the TCA policy thresholds are not to be considered inventory held for consumption or use.

Inventory Held for Resale (Financial Asset) - The products in this category are held for sale to parties outside of the GRE. Their disposal is expected to generate a cash inflow for the consolidated entity. Such products do not need to be sold at a profit in order to be considered inventory for resale; they simply need to be exchanged for financial consideration.

CONTROLS

Segregation of Duties - Proper stewardship of an entity's resources involves establishing internal controls over various corporate functions. Certain of these corporate functions are considered to be incompatible when one person is responsible for a combination of these functions. Inventory has certain of these incompatible functions; however, where there are staffing constraints making proper segregation of duties impossible, other controls should be considered to mitigate any risk. The functions to be segregated are as follows:

- Ordering inventory
- Receiving inventory
- Issuing inventory
- Paying for inventory

The count teams (as discussed in the inventory count procedures) should be comprised of two individuals and should not include staff with responsibility for the handling of inventory or the accounting for the inventory. If this is not possible, compensating controls would be required.

Government Accounting can assist departments develop appropriate compensating controls when proper segregation of duties is not possible or practical (i.e. budget to actual comparisons, increased scrutiny during management review or testing, rotational visits by departmental financial staff during counts, etc.).

Inventory Count Procedures - Inventory counts must be carried out under the supervision of a member of management with sufficient knowledge of the inventory to properly supervise the count (to be referred to as 'count supervisor'). This role would require involvement in planning the count, completing the count, and assessing the count results and completing the necessary procedures to resolve discrepancies or unusual results. To achieve proper segregation of duties, the count supervisor should not have responsibility over the physical custody of the inventory but must have sufficient knowledge of the inventory to assess reasonability of the inventory count results.

The inventory counts must be well controlled from a planning, execution, and follow-up standpoint. Those staff involved with the count should receive a hard copy of the inventory count procedures to be followed and these instructions should be explained to the individuals involved with the count prior to the commencement of the count.

The following represents the type of information that must be captured during the count:

- Item code
- Item description
- Quantity of item on hand
- Location code

Sufficient detail in the item code and item description must be captured to enable the count supervisor to compare the count results to the inventory records.

Manual Transaction Record Forms must be used to track any movement of stock during the count. This is important to ensure a proper cut-off is achieved. This form, and its use, is discussed further throughout Appendix 13-D, Inventory Count Instructions.

Management is expected to submit a certification confirming that government policy was followed in conducting the inventory count(s). Appendix 13-E Inventory Count Certification, provides a template that should be submitted to Government Accounting along with the results of the inventory count.

Scheduling of Inventory Counts - Inventory count date(s) must be forwarded to Government Accounting as soon as possible, but not less than ten (10) business days prior to the date of the count. To the extent it is practical, the year's schedule of cycle counts or other special counts to be conducted throughout the year, should be forwarded to Government Accounting for planning purposes.

Damaged or Obsolete Inventory - If damaged or obsolete items are noted during the count, where all of the items were originally expected to be of good quality, the damaged or obsolete items should be physically separated from the good quality stock and the number of damaged and/or obsolete items recorded separately on an exception sheet. These items should be identified as part of the pre-count review (see Appendix 13-D, Pre-Count Procedures, #4). To the extent these items are included in existing inventory records they must be counted to ensure proper adjustments are recorded, both physical quantity and valuation adjustments.

Regulatory requirements regarding the disposal of damaged or obsolete inventory must be adhered to. This inventory, notwithstanding any other inventory that needs to be disposed, would be transferred to the Department of Public Works for disposal. For instance, where inventory is deemed to be damaged and/or obsolete and the item(s) have been previously recorded in inventory, a sufficient audit trail must be maintained to substantiate the write-down/disposal (e.g., transfer document noting units transferred, print out of value of the goods prior to disposal, etc.).

Documentation Retention - Departments should maintain inventory documentation for a period not less than seven years. Three years should be kept on hand (current year plus the two previous fiscal years). This documentation would include the detailed inventory listing, inventory count sheets, support for inventory adjustments, adjustments required as a result of replacement cost/net realizable value testing, and other documentation that would be deemed necessary should a given location be subject to an audit (internal or external). The documentation retained should be accessible for audit purposes.

Accountability

Financial Advisory Services Units are responsible for ensuring that inventories are appropriately and completely reflected in their departments' accounts and other required disclosures.

Government Accounting will rely on the departments' accounts and disclosed information for the appropriate recognition, presentation, and disclosure in the Province's financial statements.

Monitoring

Financial Advisory Services Units are responsible for monitoring the implementation and compliance of this policy. The Government Accounting Division is responsible for monitoring the application, performance, and effectiveness of this policy.

References

PS 1201 Financial Statement Presentation - Public Sector Accounting Standards

IPSAS 12 Inventories - International Public Sector Accounting Standards

IPSAS 27 Agriculture - International Public Sector Accounting Standards

Appendices

Appendix 13-A - Items to be Included in Inventory

Appendix 13-B – Draft Inventory Confirmation Letter (where the Province's inventory is in the custody of a third party)

Appendix 13-C – Certification Inventory < $500,000 (management's certification that the estimated total inventory is less than $500,000 and therefore an estimate of inventory is sufficient, rather than a full count)

Appendix 13-D – Inventory Count Instructions

Appendix 13-E – Inventory Count Certification (management's certification that the count was conducted in accordance with the Provincial policy)

Enquiries

Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-2079

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Appendix 13-A

Items to be Included in Inventory

The following is a list of typical items to be included in inventory. Please note that it is not possible to produce an all-inclusive listing of such items, therefore judgment will need to be exercised. Please contact Government Accounting with any questions that might arise.

• Books	• Livestock/aquaculture
• Equipment Parts	• Maintenance Supplies
• Electrical Supplies	• Medical supplies (Including drugs and personal protective equipment)
• Feed for livestock/aquaculture	• Computer Repair Supplies
• Fuel	• Plumbing Supplies
• Gravel	• Road Salt
• Lab Supplies	• Signs
• Medical Vaccines	• Telecommunications Supplies
• License Plates	• Tree Seedlings

Please take special note of the following points:

- Given the frequent usage, it is not expected that regular office supplies (printer paper, pencils, pens, computer discs, post-it notes, etc will be considered 'supply inventory'.
- Items that meet the definition of a Tangible Capital Asset (TCA), but do not meet the TCA policy thresholds are not to be considered inventory. Such items should be treated in accordance with the directives outlined within the TCA policy.
- The distinction of 'supply inventory' from 'inventory held for resale' is a very important issue for proper disclosure in the Provincial financial statements. The distinction is explained in the *Definitions* section of this policy.

Appendix 13-B

Draft Inventory Confirmation Letter

Date

Contact Name
Contact Title
Contact Organization's Name
Address

Subject: Inventory of ***(name of Dept./Agency)*** held by ***(name of Contact Organization)***

Dear Sir or Madam:

As a matter of public accountability and in order to submit accurate figures to the Province of Nova Scotia regarding our inventory, ***(Name of Dept/Agency)*** is required to conduct a full physical inventory count of all supplies inventory and inventory held for resale on ***(Date)***. We have identified your organization as an organization holding certain stock which continues to be owned by ***(Name of Dept/Agency)***, and as such we require that you report to us the following details with regard to this inventory as at ***(Date of Count)***:

- Product code (if applicable)
- Product description
- Quantity of each product on hand as at ***(Date of Count)***
- Location of each product on hand as at ***(Date of Count)***
- Detail of any damaged product on hand

We appreciate your attention to this matter and kindly request that you sign below and return a copy of this letter, certifying the accuracy of your records with regard to this inventory.

If you have any questions regarding this process please do not hesitate to give me a call, I can be reached at ***(phone number)***.

Yours very truly,

(Name of appropriate Dept/Agency official)

I hereby certify that the inventory owned by ***(Dept/Agency Name)*** has been counted and accurately reported as at ***(Date of Count)***. Please see the enclosed for the requested details.

Signature: ______________________________

Name (please print): ______________________________

Title: ______________________________

Date: ______________________________

Appendix 13-C

Certification Inventory <$500,000

Date

Contact Name
Accounting Manager
Respective Department/Corporate Services Unit
Address

Subject: Inventory of ***(name of Dept./Agency)*** as at ***(Date)***

Dear ***(Contact Name)***:

Upon review of our inventory, it has been determined that the estimated value of all supply inventory and/or inventory held for resale is less than $500,000. As this value is not considered to be significant, as per the Province's policy, we have not conducted a physical inventory count.

The enclosed listing approximates the quantity and value of supply inventory and/or inventory held for resale as at ***(Date)***.

By signing this letter I certify that I have an in depth knowledge of the inventory on hand which provides the ability to assert to the reasonableness of the estimated value being less than $500,000 as at ***(Date)***.

Should you have any questions please do not hesitate to contact me directly. I can be reached at (phone number).

Yours very truly,

Signature: ______________________________

Name (please print): ______________________________

Title: ______________________________

Date: ______________________________

Appendix 13-D

Inventory Count Instructions

Pre-count procedures

1. Determine date(s) for inventory count(s) and communicate this to Government Accounting.
2. Arrange to have adequate count teams available, ensuring that each count team is comprised of two individuals. Anticipate and resolve any overtime issues that may arise as a result of best efforts to ensure counts are conducted in a timely and efficient manner.

Note: The count supervisor is not to be a member of the count teams, and individuals with responsibility over the handling of inventory or accounting for inventory should not be members of the count teams (segregation of duties is very important).

3. Ensure the system is updated for all inventory transactions up to the inventory cut-off.
4. Ensure the stock room is organized in a manner that will facilitate an accurate and complete inventory count (i.e., all like items are grouped together, damaged/obsolete goods are separated from regular stock, consumable stock partially used should be stored in separate location).
5. Where practical, arrange to have the warehouse/stock room closed during the count. At minimum, restrict movement of inventory during the count to vital orders only, where shipments must be issued or receipts must be accepted. Maintain supporting documentation to ensure the correct cut-off has been achieved (i.e., if a receipt is accepted ensure it is counted and a copy of the shipping document/packing slip is kept with inventory count documentation).
6. Arrange to have pre-numbered count sheets or pre-numbered count tags in order to maintain proper control over the inventory count. Where SAP is used, or another perpetual system is used, count sheets should be system-generated.
7. Where count sheets are used and generated from the system, ensure there is no indication of physical quantities on hand per the system, the count teams must provide a completely independent count.

8. Where count sheets are used, ensure count stickers of one colour are available for count teams to place on the stock, or on the SAP Inventory Identification sticker, once an item is counted. Note: Take into account practicality in certain instances, such as counting livestock. The colour of the sticker should be changed for subsequent counts unless removal of stickers prior to the next count is possible.
9. Provide a blank count sheet to each count team for the purpose of reporting exceptions (i.e., damaged stock found during count, inventory item that does not appear on the count sheet).
10. Review the count instructions with the count teams, ensuring the teams understand the importance of obtaining an accurate count.
11. Where the warehouse/stockroom can be closed, post that the area is closed due to the inventory count.

Physical Count Procedures

1. Count Supervisor Procedures:
   a) Distribute the inventory count sheets/count tags to the count teams. Track what sheets/tags were assigned to each count team, as they are responsible to return these sheets/tags to the count supervisor. The count teams should be responsible for distinct areas of the stockroom (i.e., whole rooms, section of shelves, inside vs. outside).
   b) If count stickers are used (use if count sheets are used), ensure teams have sufficient quantities to place on stock being counted.
   c) If the stockroom must handle inventory transactions during the physical count (this should be minimized), the following must be adhered to:
      i. A Manual Transaction Record Form stating the inventory item, part number (if applicable), quantity, movement type, related cost centre, etc. must be filled out for later processing. A copy of this form must be placed on the stock on hand to track the movement – the transaction is to be noted as being after the inventory count.
      ii. Retain the Manual Transaction Record Form separately until completion of the stock taking.
      iii. The Manual Transaction Record Form should be signed by the individual issuing or receiving inventory on behalf of the department or agency. This should also be signed by the third party representative picking up or dropping off the inventory. This will provide the necessary trail to support the adequacy of the inventory cut-off.

For counts prior to year-end (including counts conducted on March 31), if there is this kind of inventory movement, these Manual Transaction Records would be used to update the inventory records subsequent to the count. Inventory received would be included in the results and inventory shipped would be removed from the results. These forms, with appropriate supporting documentation, would provide the audit trail substantiating inventory cut-off.

d) Sample counts should be completed of higher risk, higher value goods as well as a sample of other items to ensure the proper implementation of the count instructions by the count teams. If differences are found between the count supervisor's sample test count and the team's physical count, follow this up with the count team prior to completion of the count. The number of tests will vary based on knowledge of stock and experience of count teams.

e) When count teams have completed the count, visually inspect the stock room to ensure all inventory items have been counted. Count tags or count stickers should be on all inventory items.

f) When the count supervisor is satisfied that all items have been counted, they must ensure that all inventory count sheets/tags are accounted for after the count has been completed. This involves a count sheet/tag continuity where all used and unused sheets/tags numbers are accounted for (numbers 1 through 100 were issued, must ensure all 1 through 100 have been returned).

2. Count Team Procedures:

   a) Count teams are to start at their assigned locations and systematically proceed through their assigned section with their assigned count sheets/tags.

   b) All recordings are to be done in pen. Any corrections to recorded quantities are to be noted by one stroke through the error, the new number noted, and the counter's initials by the corrected number.

   c) Where count sheets are used, when the item has been physically counted, identify the item on the inventory count sheet, verify the details on the count sheet (item description, etc.) and note the number counted and then place a count sticker on the item.

   d) Where count tags are used, note the item details on the tag, count the number of items on hand and note the quantity on the count tag. Place the removable part of the count tag on the stock counted, and maintain the other part of the count tag to return to the stockkeeper/inventory analyst.

e) Where an exception is noted, the count details should be recorded on the blank count sheet provided by the count supervisor for exception reporting. Exceptions could be, but are not limited to, damaged/obsolete stock found in an area during the count. Count teams are expected to record sufficient detail to ensure proper adjustments and follow up procedures can be completed.

f) If a Manual Transaction Record Form is found on the inventory stock item about to be counted, you must count the stock that continues to be on hand and add the number of items removed as shown on the Manual Transaction Record Form, record this total number as the amount counted.

g) When the count teams complete their counts, each team member is to sign and date each page of the completed Physical Stocktaking List (where count sheets are used). Where count tags are used, each team member should sign and date the tag continuity prepared by the count supervisor. The signature is indicating responsibility for completed counts, and would also indicate what count tags were returned unused.

h) If given a Re-Count document, only count the items specified and follow the count procedures as outlined in this appendix.

Post-Count Procedures

1. Count Supervisor Procedures:

a) Update inventory records for any items counted and properly included as inventory but that were not part of the previous inventory records.

b) Compare the results of the inventory count with the quantity in the system (where some reliance can be placed on the reasonableness of a perpetual system if one is used). Where a perpetual system is not used, compare the count results with your expectation of what should be held, and also compare the results with your own test counts. Where discrepancies are found or are expected, complete the following:

i. Determine if the variance is significant enough to warrant a re-count of that item.

ii. If no re-count is considered necessary, update the records for the results of the count.
iii. If a re-count is required, create a Re-Count Document (a listing of items to be re-counted, this can be system generated in SAP).
iv. Number the Re-Count Documents to maintain control of these, similar to the control over the original count sheets/tags.
v. Distribute the Re-Count Documents to the count teams, ensure the re-counts are completed by teams that were not responsible for the original count of the items being re-counted.

c) Receive the Re-Count Documents and review the results of the re-count, assessing these results in comparison to the system or your expectation.

d) Continue to produce Re-Count Documents until you are satisfied with the results of the count. Once the variances are considered to be acceptable, have the inventory records appropriately updated. Have the manager responsible for the cost centre sign off on the count results.

e) Create a list of Inventory after the Inventory Count, and mark it as such. This is the record of inventory on hand at the end of the count.

f) For any items that appear unusual, review the history of the inventory item (purchase history or usage history) and assess if there is a trend that indicates a change in the level of the item that should be carried. This could result in indicating higher or lower levels are necessary (changing circumstances could affect desired inventory levels – i.e., new equipment may require new repair parts, but at a lower level).

Appendix 13-E

Inventory Count Certification

Date:

Contact Name

Accounting Manager

Respective Department/Corporate Services Unit

Address

Subject: Inventory of ***(name of Dept./Agency)*** as at ***(Date)***

Dear ***(Contact Name)***:

Please find enclosed the results of our physical inventory count(s) conducted on ***(Date)***. The count was conducted in accordance with the Province's Inventory Policy and I hereby certify this to be an accurate reflection of the inventory quantity held on the above noted date.

Should you have any questions please do not hesitate to contact me directly.

Yours very truly,

Signature: ______________________________

Name (please print): ______________________________

Title: ______________________________

Date: ______________________________