

Stock Management Manual

**Federal Democratic Republic of
Ethiopia
Ministry of Finance and Economic
Development**

May 2010

ADDIS ABABA

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LIST OF ACRONYMS

DSR	-	Damage/Shortage Report
EFG	-	Ethiopian Federal Government
FIFO	-	First In First Out
GP	-	Gate Pass
GOFAMM	-	Government Owned Fixed Asset Management Manual
MoFED	-	Ministry of Finance and Economic Development
PAO	-	Property Administration Officer
PAU	-	Property Administration Unit
PPPAA	-	Public Procurement and Property Administration Agency
PPAP	-	Procurement and Property Administration Proclamation
SMM	-	Stock Management Manual

I. INTRODUCTION

This manual is prepared in compliance with the Ethiopian Federal Government (EFG) Procurement and Property Administration Proclamation (PPAP) NO.649/2009 and the FGE financial laws and regulations. As part of the implementation of Civil Service Reform Program, Ministry of Finance and Economic Development (MoFED) has launched property management reform. Consequently Government Owned Fixed Asset Management Manual (GOFAMM) has been developed. As outlined in the GOFAMM, fixed asset management starts when fixed asset is issued from store. The acquisition of fixed assets in store is part of stock and should be managed by the stock management system. In addition to receiving of all types of property, the stock management performs other activities. The proper storage, issuance, recording , accounting and reporting , stock taking and stock control are part of the stock management activities which supplement the management of fixed asset.

This Stock Management Manual specifies how the various transactions related to stock have to be carried out by all officials responsible for carrying out such transactions. The manual sets the minimum standards and operating procedures to be applied by each public body to maintain uniformity and consistency in managing stocks.

METHODOLOGY FOR DEVELOPING THE MANUAL

In developing the manual, the activities indicated in the contractual agreement was strictly followed. Identifying the shortcomings of the existing stock management practice, incorporate international best practices, design appropriate, efficient and economical forms for managing stock, align the manual with GOFAMM, and PPAP, and EFG accounting system manuals.

To discover the limitations of the existing stock management, purposively selected seven public bodies working system of the stock management practice was observed. Employees and supervisors were interviewed using the technique of unstructured interview. Stock documents were checked as to their design and forms. Store houses were visited to examine the preservation and storage activities.

The findings from the observation and interview of selected public bodies' stock management practice were:

- (1) There was no uniformity in the stock management activities as to the activities performed, the forms used, and the guidelines used in managing stock.
- (2) Failure to comply with the existing property administration directives and EFG accounting system with regard to valuation and reporting of stocks.
- (3) Tendency to consider the stock management activities as less important and relegated, consequently paying little attentions and personnel assignments to stock activities.
- (4) Huge amount of stock unused for many years in some public bodies more than 12 years that await action for disposal.

To embrace the international best practices, an extensive literature review was conducted. The best practice of different states and international organization in managing stock is included in the manual.

The latest developments of supply chain management that relate with management of stocks have incorporated. The new concepts of working collaboratively with suppliers, standardization, and supplier managed inventory programs are included at the appropriate part of the manual.

An attempt is made to comply with the existing EFG accounting system. It indicates how to integrate the value of the ending stock balance in the financial statements prepared by public bodies. It also point out the classification of stocks inline with the EFG chart of accounts. Forms and procedures align with GOFMM.

Purpose of the Manual

The main objective of the manual is to give guide lines and references to the Public Body's Management and employees on operating procedures of managing stocks. Particularly, the manual gives guidance a on the receiving of stocks, storage, issue, stock taking, stock records and accounting and stock classifications.

Anticipated Utility

The Stock Management Manual (SMM) explains what to do in managing stocks. This manual also describes how to do the stock activities and the logical sequences and tools of handling the stock management process. Every staff in the Procurement and Property Administration Unit, who has entrusted with the control, custody and stewardship of public property, is expected to use the procedures set out in this manual. Exclusively, the Property Administration Officers (PAO), storekeepers and stock clerks can benefit a lot from this manual.

- (a) To the PAO: - It clearly indicates the process and important activities of managing stock, so that it helps to identify the crucial areas where priority should be given.
- (b) To the store keeper: - The manual outlines the important steps while receiving, issuing and keeping under custody the stocks.
- (c) To the store clerk: - The manual indicates the important documents and procedures and reports for managing stock.

How to Use the Manual

This manual indicates the minimum standards, operating procedures for each public body to adhere to. The SMM is intended as a user’s manual. To gain full understanding it is suggested to supplement by training. While conducting the training the justifications and reasons indicated at the beginning each part of the manual highlight why we perform each activities in managing stocks. These are the benefits and the rationales for performing that specific activity. Property administration personnel should carefully know these rationales.

- a) The responsibilities indicated in the manual try to clarify the role of each staff of the Property Administration Unit in managing stocks. Each staff should jot down the separate responsibilities for their respective tasks.
- b) The procedures shown in each part of the manual address how to perform the specific stock management activities.
- c) The forms are designed to handle and document routine activities of the stock management.

Implementation Arrangement

To ensure full implementation of this SMM, public bodies are advised to prepare action plan. The action plan guides the date by which each part of the manual will be enforced. Regular report should be called for. Progress shall be supervised by the PAO until implementation is completed.

Amendment and Addition

Amendments and additions are necessary to keep pace with the changing conditions. In accordance with article 78 sub articles 3 of the PPAP, the authority

and responsibility for amending, adding or dispensing all or part of this manual vested in PPPAA.¹

1.1 DEFINITIONS OF IMPORTANT TERMS

In this manual, unless the context requires, the following words have meanings specified below.

“Fixed Asset” means tangible asset, the value of which is determined by the directives of MoFED having useful economic life of more than one year.

“Property Administration Officer” means civil servant assigned at the procurement and property administration unit, with the responsibilities of managing fixed assets and stocks of Public Bodies at supervisory level.

“Public Body” means any organ of the Federal Government which is partially or wholly financed by Government allocated budget.

“Public Property” means all property except public money, and land belongs to the Federal Government. For this manual, since buildings are impossible to keep in stock it is not considered as property.

“Stock” means items that are purchased or produced or donated and are not immediately consumed, which is temporally kept in a storehouse until needed for use.

“Store” means place where property is stored. It includes storehouses and stockyards.

¹ EFG House of Peoples Representative , The Ethiopian Government Procurement and Property Administration Proclamation No. 649/2009.

“Stock Clerk” means a civil servant responsible for maintaining and updating stock movement records and generating stock reports.

“Store Keeper” means a civil servant responsible for the custody of stock, until it is disposed off or transferred to the custody of another civil servant or public body.

“Supplies and Materials” means all public property other than fixed assets, which can be consumed within one year and the value of which is determined by the directives to be issued by MoFED.

1.2 JUSTIFICATION FOR HOLDING STOCKS

Article 63 of the EFG Procurement and Property Administration Proclamation (PPAP) states that all acquisition of public property is for facilitating the delivery and maintenance approved programs as efficiently and effectively as possible.²

Article 65 sub article 4 of the PPAP also states that supplies not acquired for immediate consumption shall form part of supply inventories and the custodial responsibility be assigned for such inventories.³

In facilitating the smooth running of approved programs, public bodies are sometimes forced to hold stocks for the following reasons.

- a) Anticipated price increases may necessitate early buying for storage
- b) Bulk purchases may lead to economic procurement
- c) Need to avoid interruption of public bodies operation due to running out of stock
- d) Imported stock require large lead time for transportation/shipment

² EFG House of Peoples Representative, The Ethiopian Government Procurement and Property Administration Proclamation No. 649/2009.

³ Ibid

- e) Unable to find dependable supplier, delivering materials of the right quality on the right time.
- f) To keep strategic stocks that are not acquired easily from the domestic market

1.3 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF PROPERTY

ADMINISTRATION STAFF

The revised EFG Procurement and Property Administration Proclamation No.649/2009 assign duties and responsibilities to different parties. Relevant organs indicated in the Proclamation include, the Public Procurement and Property Administration Agency, Public Bodies, the Procurement and Property Administration Unit and the Procurement and Property Administration staff.

Stock management functions

There are range of activities in managing stocks ranging from identifying the need for a property to materials and supplies to receiving, to using and disposing. For clarity and brevity, it is important to identify the typical functions that fall under stock management and its relationship with other functions in the broader supply system.

The Stock management involves the following functions and activities:

- (1) Identifying stock: - this function involves classification and coding of stock.
- (2) Receiving: - actives performed in this function include receiving of fixed assets, and stocks from all sources and conducting inspection.
- (3) Issue: - handing over stocks and fixed assets to users departments and outsiders are the activities under this function.

- (4) Stock record and accounting: - the major activities under this function are keeping and updating and reporting the record for the movement of stock.
- (5) Stock taking and stock control: - this function involves the periodic physical count of stock and fixed assets in storehouses, and ensuring materials and supplies are available when needed.
- (6) Storage: - the proper keeping and preservation of stock and fixed assets while it is in store houses and stock yards.

In performing these functions, there exists relationship with Procurement and users departments/units.

Duties and Responsibilities of Different Organs

The Public Procurement and Property Administration Agency monitors the system of property administration system; prepare, update and issue Authorized Version of procedural forms pertaining to property administration and capacity building.

Article 8 of the PPAP stipulates that Public Bodies are responsible to establish Procurement and Property Administration unit with adequate staff.⁴ They should make sure that property is used economically and efficiently. They are also required to ensure property at their disposal is registered and traced, properly handled, and looked after and disposed when it is no longer useful.

It is impractical to find identical organizational structure, title of posts and number of staff assigned in different Federal public bodies in the Public Procurement and Property Administration unit. Nevertheless, based on their nature of work, personnel assigned at the Public Procurement and Property Administration Unit can be classified as managerial and supervisory, record keeping and custodian.

⁴ EFG House of Peoples Representative , The Ethiopian Government Procurement and Property Administration Proclamation No. 649/2009.

In the context of this manual staff assigned in the managerial and supervisory posts are termed as “Property Administration Officers” (PAO), the custodians as “store keepers” and personnel work in record keeping as “stock clerk”.

The managerial and supervisory personnel are responsible for the overall operation of the stock management activities. The PAO is responsible for proper operation of the overall stock management system. PAO coordinates with users departments as to future needs for materials and supplies. He/she supervises the requisition, distribution, stock taking and control of stock.

The custodians are responsible for keeping the physical stock. The responsibilities of the store keeper involve the receipt and proper inspection of public property received from all sources, issue and custody of stock.

The record keeping staff is engaged in keeping the stock records and updating these records with the stock movements. The stock clerk is responsible for the timely posting from source documents of stock movement and updating of stock records in terms of quantity, value and preparing reports on stated time.

II. STOCK IDENTIFICATION

The normal way of identifying an article is by simple description, but this by itself is not satisfactory for the stock purpose. Several different names may be used for the same thing, for example a dust bin, refuse container or rubbish receptacle. Again in order to identify some article accurately a very long complicated description is required. Take for example paper used as stationery; there are many kinds of papers, to identify only one of them properly, it is necessary to say that it is typing paper with specific size and color. Therefore, it is necessary to have some logical basis of identification which is more precise and less cumbersome. This can be done first by classifying the stock and assigning a code for each specific stock item.

Manual III of the EFG accounting system, volume II EFG chart of accounts states the classification and code is important to have those permanent accounts.⁵

2.1. STOCKS IDENTIFICATION AND CLASSIFICATION

Classification means systematic arrangement in groups or categories of stocks according to end use. The important principles of stock classification are the like should be associated with the like; simplicity and ease of understanding of the stocks should be given paramount consideration.

⁵ Decentralization Support Activity Project, Ministry of Finance & Economic Development, FGE Accounting System (Manual 3), FGE Chart of Account (Volume II)

A code is a system of symbols or numbers or a combination of symbols and numbers used for representing data for purposes of communication or for storage or for processing information.

Each type of stock should be given number or letter or a combination of numbers and letters, which prevent it from being mixed with other types of stocks. Some of the requirements for stocks coding are the following:

- (a) One stock type should not be mistaken for another
- (b) The coding should preferably tell the type of stock
- (c) The coding system should be simple and easy to understand
- (d) The coding system should be flexible and able to take any reasonable increase in the number of stocks

2.2. WHY CLASSIFICATION AND CODING

Classification and coding are necessary for the following reasons.

- (a) To avoid repeated use of long descriptions in all stores documents which entail more clerical labor and confusion
- (b) Accurate identification of all stock items
- (c) Prevention of duplication, since similar items will be group together and once an item is coded should not be given any alternative code number
- (d) Codes assist in standardization, which is the most important use of stock code. Standardization of stock is the process of reducing the number of varieties stocked, to a controlled workable minimum. The classification of like items makes it easy to examine the complete range of any given type of stock and consider whether the number of varieties held can be reduced and standardized. A simple example of this process is the standardization of paper. Paper of different sizes and weights (A-4, A-3 80gram,70 gram) and paper of different color (white, blue ,pink and yellow), still paper for different use (typing, duplicating, and photocopying). When all different types and sizes of paper have been coded and listed, the list can be examined to see

whether the range is too detail or not. An examination of the uses served by the paper could result in standardization on one or two types only. Such standardization improves the management of stock and procurement. Product standardization can be a powerful stock management tool when it is used to reduce duplicate and redundant items in stock and aggregate the demand of seldom purchased products. The reasons for standardization may include reducing costs, simplifying supply support efforts, or improving quality. Without standardization, there is little to prevent random purchasing and supply decisions

- (e) It serves as storehouse location and allocates the storage space
- (f) It provides as a base for sorting stock documents like receipts and issues
- (g) Coding simplifies computerization and data processing
- (h) The classification/code system can be used as a means of physical control for location and storage of stocks.

2.3. CLASSIFICATION AND CODING OF STOCK

Manual III of the EFG accounting system, volume II EFG chart of accounts classify supplies and materials as follows.⁶ Following this classification each public body is expected to comply and categorize its stock.

Figure 1

Classification	Code
Uniform, clothing bedding	4401
Office Supplies	4402
Printing	4403
Medical Supplies	4404
Educational Supplies	4405

⁶ Decentralization Support Activity Project, Ministry of Finance & Economic Development, FGE Accounting System (Manual 3), FGE Chart of Account (Volume II)

Food Items	4406
Fuel and Lubricants	4407
Other materials and articles	4408
Agricultural, forestry, and marine input	4409
Veterinary supplies and drug	4410
Research and development supplies	4411
Ammunition and explosives	4412

Building and construction materials	4413
Spare parts	4414
Raw materials stocks	4415
Work in progress stocks	4416
Finished goods stocks	4417
Other materials and supplies	4418

There are three levels of classification for the stock of materials and supplies of public bodies. The first one will be the major classification as indicated in figure 1. The second one is the sub classification under the major classification. The third classification is identifying the specific item within the sub classifications.

Let us illustrate this with example. Suppose we consider office supplies as major classification, there are many items in this classification to be sub classified as stationery supplies. Consequently, we may further group the stationery items and identify the individual item. Say A-4 size photocopies paper, which is the specific item.

The code system for public bodies assigns ten digit code numbers to each specific item. Working from the left to right each digit places the item in a successively narrower class until further differentiation is not required. The first four digits are

used for the major stock types. The next three numbers indicate the sub class and the last three numbers indicate the specific item. The following example illustrates the concept.

The code given for a stock item is 4402- 001- 001. The first four digits indicate the item is office supplies, the next three digits i.e., 001 indicate the sub class within the office supplies let us consider this as stationery supplies. The last three digits indicate the specific item within the sub class stationery supplies; let us designate it as white A-4 size photocopy paper.

2.4 RESPONSIBILITY FOR CLASSIFICATION AND CODING

Classification and coding require a bit advanced skill, particularly when it is initially developed and utilized. Therefore, it is suggested that developing a system for effective classification and coding can be handled by an ad-hock committee from various unit of the public body. The members of the committee may be selected based on their knowledge about the stock utilized by the public body. Once the classification system is developed, the store keeper is expected to use this system.

2.5 PROCEDURES FOR DEVELOPING CODING SYSTEM

The procedures to develop the system of identification include the following.

- (a) Visit all store houses and stock records so that their current system for identification of stock is inspected, and record in full the system of identification of stock. List all the stock items and if available their yearly consumption. This can be easily obtained from the bin cards or other stock documents. Emphasis is only on stock item
- (b) Classify all the items on major following the classifications as given in figure 1 of this part. Assign the four digit number code for each major classification.

- (c) Reclassify each classification in to sub classes. For example uniform further be classify into uniform, clothing and bedding. The sub class is assigned three digits from 001 to 999. There is no hard and fast rule for regrouping of each item. The important thing to consider is the number of line items used by each public body. It is also important to know that the degree of detail in sub classification depends on the benefit you obtain from the information. If it is too detail it can only understood by experts and leads to confusion.
- (d) Reclassify each classification in to sub classes. For example uniform further be assigned three digit number from 001-009 to the specific item.
- (e) Consult the procurement unit, the accounts/finance unit and the users departments to get their agreement.
- (f) Once you get the agreement, complete the stock code and distribute copies to the units really have need of it.
- (g) Amendments are published at least yearly, in accordance with the original distribution. Changes are not made in classifications unless there is a change in FGE chart of accounts.

Please note that it may not be advisable to include every item of stock. Stock Items which are seldom required are bought and used straight away and other items of non- repetitive nature should be avoided from the code.

III RECEIVING AND INSPECTION

Stocks and fixed assets may be received in storehouses from outside suppliers, donors and from user departments within the organization. Stocks must be properly looked after when they arrive. The problem of quantity shortage, damaged materials, incorrect items shipped, is detected during receiving.

The amount of documentation and inspection depends greatly on the nature of the item. It is desirable to avoid a lot of paper work, if this can be done without the risk of mistake in receiving the goods. Similarly, the extent of physical examination, weighing, counting, etc. of goods received should be arranged in the most economical way to avoid unnecessary delay or expense. If store houses are not open for all hours of the working days, it is advisable to inform the days and times during which facilities will be available to accept deliveries.

3.1 RESPONSIBILITIES

- (a) The responsibilities of the store keeper involve the receipt and proper inspection of materials received from all sources.
- (b) The Procurement Officer is responsible for ensuring that materials accepted by the store house satisfy the ordering specifications given on the Local or Foreign Purchases Orders.

3.2 MAINFORMS

The main forms which shall be used in receiving an item are:

- (a) Receipt for articles or property (Model 19)
- (b) Damage/Shortage Report (DSR)

3.3 RECEIVING PROCEDURES

As a general rule before receiving a stock or fixed asset and put to use from whatever source ensure the following.

- (a) Make sure that proper authority authorize preferably in writing the receipt of the item.
- (b) Assign a particular place for receiving the stock or the fixed asset that is typically the store house and sometimes the uses departments.
- (c) Do not put to use the stock or fixed asset before the receiving procedure is fully completed.

3.3.1. RECEIVING FROM OUTSIDE SUPPLIER

A typical receiving procedure from outside supplier consists of four steps:

1. Unloading and checking the shipment: - packed stocks are checked for external damage.
2. Unpacking and inspecting the stock: - The store keeper checks the material received against the packing slip and against the copy of purchase order to verify whether the correct items are received. For items that cannot be inspected by the store keeper because of its technical nature, they shall be inspected by the user or by authorized representative of the user department. For highly sophisticated items that need laboratory test, the procurement officer is responsible to carry out the test and inspection. This

kind of testing and inspection can be undertaken in the supplier's works or in other facilities outside the organization.

3. Completion of the receipt for articles or property: - After inspection and satisfaction that the materials are in good condition and as per specification the inspector shall prepare note for acceptance and are in good condition and fit for use. Only the materials which shall be accepted by the inspection are to be received into the store by issuing model 19(receipt for articles or property received). The model acts as evidence for the receipt of materials into the store. Model 19 shall be prepared in four copies and distributed as follows.

- (a) The original shall be attached to the supplier's invoice and shall be sent to the Accounts Unit to support payment
- (b) The duplicate copy shall be given to the stock clerk to register store movement
- (c) The triplicate to the supplier/ deliverer as evidence of receipt of the good
- (d) The fourth copy is the book copy for the storekeeper's reference

4. Delivery of the material: - for non-stock materials, such as fixed assets and materials acquired for a specific purpose, the store keeper is responsible for

delivery of the material to the user department after completing the issuing procedures.

3.3.2 MATERIALS RETURN TO STORE

From time to time stocks may move from one store to another or from user departments to stores. There is no need for quality inspection for internal movement of goods. For new supplies that are returned to store from user departments the store keeper will prepare model 19. The distribution will be the same as stated above, except that the copy for finance and accounts will be retained with the pad. Since payment will not be effected. Fixed assets return to store will follow GOFAMM.

3.4 MATERIALS REJECTED RETURN PROCEDURE

Stocks and fixed assets which are rejected by the inspector for whatever reason must be returned to the supplier immediately and be accompanied by the Damage/Shortage Report. The DSR is evidence that materials have been returned by the public body to the supplier. The store keeper shall raise DSR in 4 copies and shall be distributed as follows:

- (a) The original shall accompany the stock or fixed asset being returned to the supplier
- (b) The duplicate copy shall be sent to the Accounts/finance unit
- (c) The triplicate copy shall be sent to the Procurement Officer
- (d) The forth copy is a book copy for reference purposes by the store keeper

የገንዘብና ኢኮኖሚ ልማት ሚኒስቴር

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT

DAMAGE/SHORTAGE REPORT

ለ _____
To _____

ቀን _____
Date _____

ከዚህ በታች የተዘረዘሩት ጉዳት/አጥረት/በዛት/የጥራት ጉዳለት የታየባቸው ናቸው፡

With reference to the goods listed below, the goods have arrived damaged/shortage/overage/not the right quality.

ተራ ቁጥር S. No.	የንብረት ዝርዝር Description of the Item	የተጠየቀው ጥራት Quality Advised	ልዩነት Discrepancy

የዕቃ ግምጃ ቤት ሠራተኛው ስምና ፊርማ
Name and signature of the store keeper

ስም
Name _____

ፊርማ
Signature _____

3.5. INSPECTION

Inspection is the procedure associated with the receipt of goods and their placement in storage is a check for quality. The increased concern for quality emphasized more on 100% inspection. But inspection has also costs like destructive testing. So balance is needed when inspection takes place.

Depending on the number and type of commodities, inspection can be undertaken by:

- (a) storekeepers, when item is few in number and simple in its complexity

- (b) technical staff from users department
- (c) inspection department if it exist in the public bodies
- (d) inspection at supplier's work or at the premises of public body by independent inspectors

Whoever performs the inspection, the examination of the goods is for quality to ensure items are fit for use. The inspector should be provided the copy of the purchase order and relevant specification and samples to perform the task of inspection. To check quality, follow the following steps.

- (a) Check the purchase order, the packing slip against the stock or fixed asset
- (b) Obtain the material specification and test the stock or fixed asset against the specification
- (c) Count, measure and check the quantity of stock and fixed asset against the purchase order and the packing slip
- (d) Fill the Damage/Shortage Report for any discrepancy

IV. ISSUE OF STOCKS

Service given by storehouse to users department becomes effective at the point where the store keeper issue stocks. Issue can be divided into issue to user departments/units and issue to outside branch stores and consumers. Stock represents money, in order to avoid misappropriation or waste procedure should be laid. From scheduling point of view, issues are made:

- (a) On imprest basis: - this is issuing stock, at the end of given period, say a week or a month. The user concerned prepares a list of materials

consumed during that given period of time and presents stores requisitions. This type of issue is appropriate for stationery supplies.

- (b) Replacement issue: - for certain items like vehicle tires and tools, users are required to present used article to the storekeeper before a new one can be issued.
- (c) For non stock items like fixed assets, goods are issued and delivered upon receipt by the storekeeper

4.1 RESPONSIBILITIES

A responsibility on the function of issue of stock rests on the following three bodies.

- (a) The PAO has the overall responsibility for ensuring that stocks issuing procedures are adhered to
- (b) Heads of departments/units are responsible for ensuring that all issues of stocks to their departments are made in accordance with their requirements and that such stores are put in good use only for the official purpose of the public body
- (c) Storekeepers are responsible for ensuring that stocks are issued to authorized persons only who bring to the store properly completed Stores Requisitions.

4.2 MAIN FORMS

The main forms that shall be used are:

- (a) Stores Requisition (Model 20)
- (b) Gate Pass (GP)

4.3 STOCKS ISSUE PROCEDURES

The procedure for stock issue for users departments involves the following three steps.

- (1) Approval of Requisitions:** Before stocks can be issued there must be proper authorization. Store keepers should keep full details of the names, title and specimen signature of all persons delegated to approve issue notes in a separate file. For some materials, it might be necessary to restrict issuance to certain levels of management, e.g., use of drugs, chemicals or explosives must be restricted to authorized individuals.
- (2) Processing of Requisitions:** As stocks are needed they should be requisitioned by the users department using Model 20. The aim of raising a Stores Requisition is to authorize issue of stocks. The stores requisition is prepared by users department in single. This form should be forwarded to PAO for approval.

Stocks of any type should only be issued to persons who produce properly raised Stores Requisitions. Following the receipt of the store requisition, the storekeeper prepares the issue sheet and pick and handover the stock requested. The store keeper prepares model 22 in 3 copies to be distributed as follows.

- (a) The original shall be attached to the Stores Requisition and sent to the stock clerk for posting the issue in stock records
- (b) The duplicate copy shall be sent to the department/unit that requisitioned for the stocks
- (c) The triplicate copy shall be retained in the pad by the storekeeper for reference.

(3) Receipts by user Department of Materials and Supplies Requisitioned: When delivery is made, all items should be counted and inspected by the ordering department. Assurance should be made that the articles requisitioned are being delivered in the quantities requisitioned and approved by the PAO.

4.4 DISPATCH OF STOCKS

Stocks are dispatched outside the organization for various reasons. For some public bodies goods are sent to branch offices; sales of scrap and used items to outsiders; and finished goods are sent to customers. The following procedure is recommended in dispatching goods.

- (a) Every material leaving the public body must be accompanied with a written authority of the PAO. This is done by using the gate pass.
- (b) The Gate Pass shall be the only written authority for allowing movement of materials outside the public body compound.
- (c) The person preparing the Gate Pass shall ensure that he/she does so after being given a duly signed Model 22 or written authorization.

The Gate Pass shall be prepared in 3 copies and shall be distributed as follows:

- a) The original to accompany the materials leaving the public body and given to the person who receive the stock to serve as reference of the material received.
- b) The duplicate copy shall be given to the Storekeeper
- c) The triplicate copy shall be given to the Security Officer/Security guard for record and reference

V. STOCK RECORDS, ACCOUNTING AND REPORTING

One of the principles of Public Procurement and Property Administration as pointed out in Article 5 sub article 5 of the PPAP is the careful handling and proper use of property.⁷ This principle can not be enforced with out some documentation.

⁷ EFG house of Peoples Representative, The Ethiopian Government Procurement and Property Administration Proclamation No. 649/2009.

Control of stocks cannot be performed in an efficient manner without some means of capturing and storing information. Adequate and timely record-keeping is required for proper stock-control. Records maintained keep track of the movement of stocks into and out of the storage areas and the balance of stocks remaining in the stores. The main reasons for keeping records are:

- (a) To indicate the amount of stock of any item at any time without it being necessary for the stock to be counted physically
- (b) To establish a link between the physical stock and the stocks account
- (c) To provide a means of provisioning, i.e., determine how much should be ordered to maintain stocks at the required level
- (d) To supply information for stocktaking, whereby the quantities of all stock items in the storehouse ascertained by physical check are compared with the corresponding quantity balance on the records

5.1 RESPONSIBILITIES

Three organs are responsible for stock records, accounting and reporting.

- (a) The PAO officer is responsible for the overall design and proper maintenance of stock records
- (b) The stocks clerk is responsible for the timely posting from source documents of stock movement and updating of stock records, both in terms of quantity and value and preparing reports on stated time
- (c) The store keeper is responsible for updating the bin cards

5.2 STOCK RECORD FORMS

The two most widely used stock documents are bin cards and stock record cards.

- (a) The purpose of maintaining a Stock Bin Card on the shelf/rack is to show at glance the quantity available. Bin cards are maintained by the storekeepers with the physical stock itself by attaching bin cards or racks, using a separate card for each item of stock.

Unit _____ minimum level _____ Max. level _____

□□□□ □ □ □ □

Shelf No. _____

ቀን Date	ማጠቃለያ Posting Reference	ቢ. Receipt			□□ Issue			ሚዛን Balance		
		ብዛት Qty.	ያን ዱ ዋጋ Unit Price	□ ቅለል □□ Total value	ብዛት Qty.	ያን □ □□ Unit Price	□ ቅለል □□ Total value	ብዛት Qty.	ያን ዱ □□ Unit Price	□ ቅለል □□ Total value

5.3. STOCK ACCOUNTING

Manual III, of the EFG accounting system, volume III, accounting for other assets and liabilities specify whenever the value of stock cannot be determined; the value of the good is estimated based on the identical or similar good value at the time of acquiring the good.⁸ This manual also required to report the value of ending stock to the accounts unit.

Adequate store accounts are necessary for a variety of reasons, of which the following are the most important.

- (a) To indicate the value of goods in stock.
- (b) To provide a basis for material costing.
- (c) To provide the means of operating stock control by value.

⁸ Decentralization Support Activity Project, Ministry of Finance & Economic Development, FGE Accounting System (Manual 3), FGE Accounting for other assets and liabilities (Volume III)

Material costing is done at the receipt of materials, issue of materials and the stocks held at the end of the fiscal year.

According to the Financial Accounting Standard Board, the primary basis of accounting for inventories is cost. This cost is the sum of expenditures incurred to bring an item to its existing condition and location.⁹

The factors that are to be included in the cost of materials received are material price, freight charges insurance and taxes. Price usually refers to the price quoted and accepted in the purchase order prices may be often stated in various ways, such as net prices, price with discount terms, free on boards, cost insurance and Freight.

For costing purposes we have to work out the actual cost incurred by taking price quoted by the supplier as the basis, subtracting the discounts and adding freight, insurance duties taxed and package charges.

Procedures and records for Stock Accounting

The main records involved in stock accounting are

- (a) stock record for individual item
- (b) stock control account for classification of items
- (c) main stock account for the total stock

Stock record for individual item shows the quantity, unit price, value of each transaction and total value of the balance on hand. Receipts are treated as debit entries and issues as credits, and the value of stock on hand is, therefore, debit balance. Stock increases as a result of goods received and goods returns to store.

⁹ Financial Accounting Standards Board issued FASB Statement No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4.

Stock decreases as a result of issue. The store clerk should obtain a source document before the recording the increase (debit) and the decrease (credit) of each transaction.

For stock control accounts, the stock records should be kept in classification order in accordance with the coding system, i.e., from 4400 to 4499 and for each classification there should be a control account like for food one control account, for office supplies another control account etc.

Receipts documents are summarized at interval, say weekly or monthly and one total posting is made to each control account. Similarly, issues are aggregated each week or month and posted to each control account.

The main stock account shows for the whole public body the total value of receipts, the total value of issues and the value of the balance of stock on hand. In the same way the stock control account “controls” the stock records, the main stock account “controls” the stock control accounts. Its balance should, therefore, equal the sum of the balance of the stock control accounts. Periodical check, preferably monthly should be made to verify that there is no discrepancy.

5.4. STOCKS VALUATION

Manual III volume III , of the FGE accounting system, accounting for other assets and liabilities requires that the value of the stock is determined based on the principle of FIFO.¹⁰

Under FIFO, the assumption made here is that the oldest stock is depleted first. Therefore at the time of issue, the rate pertaining to that will be applied. This is

¹⁰ Decentralization Support Activity Project, Ministry of Finance & Economic Development, FGE Accounting System (Manual 3), Accounting for other assets and liabilities (Volume III)

logical in the case of items which deteriorate with time. In FIFO process, the value of the stocks held on hand is the money that has been paid for that amount of stock at latest price levels. Provision for obsolete, damaged and/or dead stocks shall be made on specific items determined during the year end stock taking.

Figure 3

Description of the item — Pencil Code NO. 4402---001---006

Date	Posting Reference	Receipts			Issues			Stock on Hand		
		Qty	price	Value	Qty	price	Value	Qty	price	Value
01/01/00		-	-	-	-	-	-	-	-	-
07/01/00	GRN	1000	1.00	1000	-	-	-	1000		1000
14/01/00	GRN	2000	1.10	2200	-	-	-	3000		3200
20/02/00	SIS	-	-	-	1000	1.00	1000	1500		1650
					500	1.10	550			
28/02/00	SIS	-	-	-	500	1.10	550	1000		1100
29/02/00	SIS	-	-	-	200	1.10	220	800	1.10	880

Assuming no other transaction during the month the balance of stock for this particular item at the end of the second month using FIFO method is birr 880 with 800 units. Please be aware that if there is no change in unit prices, other methods of valuation will give the same result in terms of value.

5.5 REPORTING OF STOCK

Manual III of the EFG accounting system volume III, accounting for other assets and liabilities set that at the end of the fiscal year, the ending balance of the stock items should be reported to the finance and account unit in terms of value.¹

- (a) The store clerk should report totals of values of stock on hand at the end of each accounting period, by each categories of classification using the account code of 4400 - 4499 for the account unit. The stock clerk should produce the following report from the control account for each major

classification of stock. The balance indicates the value of stock held at the end of the budget year, i.e., July 8 of the specific budget year.

Figure II

Stock Classification	Account Code	Balance
Uniform, clothing, bedding	4401	
Office Supplies	4402	
Printing	4403	
Medical Supplies	4404	
Educational Supplies	4405	
Food Items	4406	
Fuel and Lubricants	4407	
Other materials and articles	4408	
Agricultural, forestry, and marine input	4409	
Veterinary supplies and drug	4410	
Research and development supplies	4411	
Ammunition and explosives	4412	
Building and construction materials	4413	
Spare Parts	4414	
Raw materials stocks	4415	
Work in progress stocks	4416	
Finished goods stocks	4417	
Other materials and supplies	4418	

The account unit of each public body uses this report to pass entry of the opening and ending stock balance as given in the Manual III of FGE accounting system.

In case, there are fixed assets in the store house at the end of the accounting period, the value of the assets should be reported to the accounts unit of the public

body using the Fixed Asset Report Part I of GOFAMM. Note that; new fixed assets that are not put into use will not have depreciation value.

- (b) The stock clerks are also expected to produce periodic report, preferably at each quarter, indicating the movement of each stock. This report will serve management to take action on dead and slow moving items as well as provisioning.

5.6 COMPUTERIZATION

When volume of stock movement increases computerization is recommended. Basically, all recording can be done by manual posting but, where the volume and complexity of the documents handled is of major proportion, mechanized methods are often found to be more effective.

Every system of stock recording must be designed to serve the needs of the particular circumstance in which it is to be applied. The following points should be considered before deciding on any given method.

- (a) Number of movements: The volume of transactions to be handled at one point is the major consideration in deciding whether to post by hand or machine.
- (b) Uses of basic store documents: All receipts and issues vouchers are priced and evaluated at some stage and summarized for posting the stock control accounts.
- (c) Selection of suitable machines: Three main purposes are to be served by the introduction of machines for stock recording: to save clerical labor, to speed up the work and to provide greater accuracy.

After conducting the feasibility of the costs and benefits, public bodies can select the computer system appropriate to their specific needs. It is advisable for the public bodies to ensure whether the computerized system can perform the total

asset management activities including handling transactions and generating reports integrating the whole procurement and property and financial administration functions.

When choosing the computer system and software the following consideration should be taken into account:

- (1) The cost benefit of the computerized system
- (2) The functions needed to be performed that include the number of actual and potential users of the system
- (3) The compatibility with the existing system.

VI. STOCK TAKING AND STOCK CONTROL

As stated in the PPAP article 5, one of the principles of the public procurement and property administration is careful handling and proper use of public property. For implementing this principle, a system for stock taking and stock control is mandatory.

Stock control is the activity of determining the range and quantities of materials which should be stocked. It involves techniques of maintaining stock items at levels which give satisfactory service level while minimizing stockholding costs. The major objective of any stock control system is to assure that materials are on hand when they are needed. Specifically the objectives are:

- (a) To determine when to replenish, by what quantities to replenish and to fix minimum and maximum levels for each stock item
- (b) To identify damaged/obsolete stock items

6.1 RESPONSIBILITIES

- (1) The PAO makes proper preparations for stock-taking of all stocks of the public body.
- (2) The PAO shall issue “Stock-taking instructions” which shall be followed by all members of the stock-taking team.
- (3) The PAO shall arrange for pre-stock taking training to ensure that stock-taking instructions are understood by all members of the stock-taking team.
- (4) The PAO shall ensure that all the storehouses and stock are neat, properly arranged and well labeled before, during and after the stock-taking exercise.

6.2 STOCK TAKING

Article 65 sub article 5 of the PPAP states that all inventories of public property shall be physically verified against records at least annually.¹¹

Stock taking is the complete process of physically counting, measuring or weighing the entire range of items in the stores and recording the results in a systematic manner. The purposes served by stock taking are as follows:

- (a) To verify the accuracy of stock records

¹¹ EFG House of Peoples Representative , The Ethiopian Government Procurement and Property Administration Proclamation No. 649/2009.

- (b) To support the value of stock shown in the stores documents by physical verification
- (c) To disclose the possibility of fraud, theft or loss
- (d) To reveal any weaknesses in the system for the custody and control of stock

6.2.1. METHODS OF STOCKTAKING

There are two widely used methods of stocktaking: periodic and continuous. Public bodies can select any of the method appropriate for their specific needs.

- (1) By the periodic stock taking method, the whole of the stock is covered at the same time at the end of the given period, usually the end of the fiscal year. Under such method the operation of the store should stop until stock taking is over.
- (2) Continuous stock taking is the method where by stock is taken throughout the year in accordance with a predetermined program so that each item is physically verified at least once in the course of the year, or more frequently if required.

6.2.2. STOCK TAKING PROCEDURES

- (1) All stocks in storage shall be checked at least once within the fiscal year. The PAO may issue instructions for some categories of stocks to be stock-checked every month end. The categories of stocks which have to be stock-checked at the end of every month are:
 - (a) High value stocks
 - (b) Dangerous stocks
 - (c) Stock with great risk of pilferage
 - (d) Stock with rapid usage

- (2) Stock taking must be done by competent and knowledgeable persons who shall carefully observe the established stock taking procedures and attend the pre-stocktaking seminar.
- (3) The store keepers should not be members of the stock taking teams but they are required to know what they keep, guide the stock taking teams during counting and watch the security of stocks during the stock taking process.
- (4) As far as possible each stock-taking team shall consist of an expert or technician who is knowledgeable, capable and experienced in the stocks being subjected to counting.
- (5) The stock taking teams shall be given pre-stock taking training/seminar on how to record on the stock-taking papers, how to count, how to weigh, how to measure and how to identify the stocks.
- (6) Serially numbered stock taking sheets shall be prepared in advance. The stock shall be pre-typed on the sheets in logical order, usually in the same order as they are stored on the shelves and records in the stock records.
- (7) The management shall establish date of stock taking, stores to be stock checked in each designated day, time of starting and ending stock taking in each day, break-time and lunch time. To prevent double counting, colored stickers shall be adhered on the counted stocks.
- (8) In order to account for the pre numbered stock taking sheets and to prevent possible spoilage and misuse, the stock taking sheets shall be given to the recorder on signature and to return the same sheets fully completed to the Head of Stock taking teams.
- (9) Comparison between the physical stock quantities with the stock records and bin card shall be done in order to establish whether or not there are discrepancies. Discrepancies shall be investigated and corrective action taken.

- (10) The stock taking team shall note and date the bin cards **in red ink** that the stocks have been checked.
- (11) The stock taking sheets shall be raised in duplicate. A sample of stock

የገንዘብና ኢኮኖሚ ልማት ሚኒስቴር
MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT

ጸባይ ቅጽ
STOCK TAKING SHEET

ጸጋሚ ጸባይ ጸባይ
Public Body: _____

የዕቃ ግምጃ ቤት መለያ

Stores No. _____

ዕቃ ምዕብ

Stock classification _____

ቀን

Date _____

ቁጥር No.	ዕቃው መለኪያ of the Item	ዕቃው መዕለፍ Category of Asset	ብቁራ ቁጥር Count	በሰብክ ሪከርድ ቁጥር መጠን Stock Card Balance	ልዩነት Stock Discrepancy	ስብክ የሚገኝበት ሁኔታ Conditions to Goods	የስብክ መሬት ረሻ ቀን እንቅስቃሴ Last Date of Movement

ስለ ትክክለኛነቱ ያረጋገጠው የንብረት ቆጠራ ቡድን አባላት ስምፍፈርማ _____

Name and signature of the stock taking team members

አስቆጣሪ

የዕቃ ግምጃ ቤት ኃላፊ ስም _____

Name of the store keeper

ፊርማ _____

signature

6.2.3 STOCK TAKING TEAM DUTIES

Typical duties of a stock taking team include the following.

- (1) To physically count the available stock, checking the actual stocks with stock cards and balances and then compiling stocks discrepancies list
- (2) Obtaining of explanation for stocks deficiencies and surpluses and recommending rectification action
- (3) Preparing a report on the status of stocks, condition of stock and storage facilities

- (4) Initialing with date stock checked balances on the Bin Cards, and Stock Cards
- (5) Recommending action to be taken on stock deficiencies and surpluses
- (6) Reporting on the condition, sufficiency, security and management of stores
- (7) Reporting on the existence of dormant and slow moving stocks.
- (8) Reporting on inferior stock qualities.
- (9) Reporting on the accuracy and up to datedness of stock records

6.2.4. REASONS FOR STOCKS DISCREPANCY

The major possible causes for stock discrepancy are the following. Identifying these reasons enables the stock taking team, store keepers and store accountants to trace mistakes rectify errors quickly.

- (1) Failure to complete properly the required paper work at each step of the flow of stocks
- (2) Failure to post stock receipts and issues
- (3) Incorrect posting of stock receipts and issues
- (4) Computation errors in the day to day posting
- (5) Spoilage as a result of natural processes or from unsatisfactory storage
- (6) Shrinkage due to computation errors arising from different units of measurement for stock receipts and issues. For example, receipts of fuel in drums and issues of fuel in liters
- (7) Losses due to paper work stocks receipts without the stocks physically entering the public body's premises
- (8) Losses due to unauthorized issues and pilferages
- (9) Losses arising from theft by outsiders due to inadequate physical protection of stocks

6.2.5. STOCKS HANDING/ TAKING-OVER

The procedures for handing over of stock are:

1. A Storekeeper shall hand over stocks under his/her custody to another Storekeeper when:
 - (a) Going on annual and other leaves and retirement
 - (b) Traveling on duty
 - (c) Undertaking training outside the working station
 - (d) Promoted to higher position
 - (e) Transferred to other working station
 - (f) Undergoing medical treatment.
2. Stock-taking shall be carried out by the incoming and outgoing Storekeepers during the presence of a competent witness in terms of skills and knowledge of stocks being handed over. The stock taking sheets shall be signed by the stock-takers and the witness.
3. A certificate of stocks handing over and stock-taking sheets shall be completed in triplicate. The original copy shall be handed over to the PAO, the duplicate to the incoming storekeeper and the triplicate to the outgoing store keeper.

6.3. STOCK CONTROL

A major objective of any stock management system is to assure that materials are on hand when they are needed. In order to maintain adequate control over the level of stock, standard order quantities and order points must be established. Whenever stock on hand falls to a minimum level, based on the time lag between order and the delivery of the item, an order should automatically be placed for a predetermined amount.

6.3.1 ORDER SIZE AND FREQUENCY OF ORDERS

The extent of stock holding is determined by the following four considerations.

- (a) **Operational needs**, which is the immediate availability of all materials without interruption of operation.
- (b) **Time required obtaining materials**. Some goods are available from the stock of the supplier, others require even foreign purchase. The time required between the date of order and receipt of the good varies among different stocks. Therefore it is important to estimate lead time. Lead time is an estimate of the interval between the time that a determination is made as to the need for material and the time such material is delivered. The calculation has two aspects, administrative lead time and supplier lead time. The former is the time lapse between the requisitioning of material and the preparation of a purchase order. Supplier lead time is the additional time lapse before the material is delivered.

To prevent a stock out, public bodies must have an inventory that is at least adequate for usage during the lead time. For example, if the lead time of an item is six weeks, with a usage of 20 units each week, there must be an inventory of at least 120 units when the order is placed to prevent a stock out. If usages and lead times were predicted exactly, it would be possible to limit maximum inventory of an item to the order quantity and a new shipment would arrive just as the last unit of existing stock being used. In practice this cannot be done because suppliers may not keep delivery promises and usage forecasts may be inaccurate. Extra inventory is needed to protect against these contingencies. This extra inventory is called "safety stock". The amount of safety stock required is determined by the consideration of: (1) lead time and the expected lead time variance; (2) rate of usage during the lead time and expected usage variance; and (3) reorder frequency.

- (c) **Available Storage Accommodation** - Arrangements must be made to see that deliveries, whatever the quantities ordered, are not too great in amount

to be accepted into the available storage accommodation. If this point is not considered carefully, goods requiring covered storage may have to be kept in the open air, or rent may have to be paid for warehousing facilities.

- (d) **Cost of ordering** – it is the cost of placing an order. If the ordering cost is high, public bodies tend to buy large quantities of stock.

6.3.2. APPROACHES TO CONTROL

Although there are many systems for the control of stock, both manual and automatic, generally there are only two basic approaches on which these systems are based. Reordering will either take place when stocks fall to a predetermined level, or according to the situation discovered when levels are reviewed on a periodic regular basis. Sometimes these approaches will be used in combination, for example, it might be the case that the reorder level approach is employed with the back-up of regular review of physical stock levels. The two approaches are commonly called the 'action level' method and the 'periodic review' approach.

The action level method

The basic method of controlling stock by quantity is by means of fixing, for each commodity, stock levels which are recorded in the stock control system and subsequently used as means of indicating when some action is necessary. There are various kinds of stock levels, but the fundamental controls are minimum, ordering, and maximum levels. It does not follow that all these are necessary or even desirable for every item, and they should be employed with discretion because the fixing of too many levels makes the work complicated.

The minimum stock level is the amount expressed in units of issue below which the stock of any given commodity should not be allowed to fall. When the level is reached, it triggers off urgent action to bring forward delivery of the next order, and it is sometimes called the 'danger level'. In fixing minimum the main factor to be taken in to account is the effect which a run-out of stock would have upon the flow of work or operations. For many items this effect is negligible, and it may be desirable to have minimum stock level 'Nil'. In other cases, such as raw material or important spare part, the effect of a run-out might be to stop production entirely, and sufficient stock must be held as minimum to avoid shortages at least in normal supply conditions.

The reorder level is the amount expressed in units of issue at which ordering action is indicated in time for material to be delivered before stock falls below the minimum. Two main factors are involved in deciding the ordering level: first, the anticipated rate of consumption, and second, the estimated time which will elapse between the raising of a provision demand and the actual availability of goods in store after receipt and inspection, i.e., the 'lead time'. When the ordering level is reached for any item, before arrangements are finally made to buy a fresh supply, a check should be made to see if there are deliveries outstanding in respect of any existing order.

The hastening stock level is the amount expressed in units of issue at which it is estimated that hastening action is necessary to request suppliers to make early delivery. It is fixed between the minimum and the ordering levels.

The maximum stock level is the amount expressed in unit of issue above which the stock should not be allowed to rise. The purpose of this level is to curb excess investment. In fixing a maximum the main consideration is usually financial, and the figure is arranged so that the value of the stock will not become excessive at

any time. Other points affecting this level are the possibility of items becoming obsolete as a result of operational changes, shortage of storage space and the danger of deterioration in perishable commodities. When the level is reached, it is a signal to defer or cancel outstanding deliveries, if any.

Review of stock levels. In order to keep abreast of changing conditions after stock levels have been established in the first instance, they should be carefully reviewed at suitable intervals, e.g. quarterly, monthly or even weekly, and adjusted to meet any changes in the circumstances. Unless this is done, the levels organically fixed soon become out of data and the system of stock control is rendered ineffective.

Other control techniques

Different techniques of managing the supply chain emerged recently. These techniques integrate procurement and the stock management. Some of the techniques relevant for managing stock are indicated below.

ABC analysis: - For public bodies holding a large number of line items may use this technique of selectivity control seems appropriate. ABC inventory analysis is a method of classifying items according to their relative importance. Usage is of key importance for inventory managers and ABC inventory analysis is the classifying of stock items according to their usage.

- (1) The generally accepted assumption is that 20 percent of the items in stock will account for 80 percent of usage. In ABC analysis these items are referred to as “A” items
- (2) “B” items comprise 30 percent of the items in stock and will account for 15 percent of usage

- (3) “C” items comprise 50 percent of the items in stock and will account for only 5 percent of usage

It is not difficult to complete an ABC analysis for your public body’s stock items by identifying the items that account for 80 percent of your usage. This group of “A” items will represent the items that should get the most attention by monitoring demand information to insure that you have inventory available to match it. Usually it is advisable to order these items on a more frequent basis and work with suppliers to ensure a constant flow material. Normally “B” inventory items will only require moderate attention and “C” items will require little attention. Generally “dead” or obsolete stock items are found in the “C” group.

Working collaboratively with suppliers: - The PPAP sighted about “Frame work contract” that may go in line with this type of technique. Working collaboratively with suppliers, especially suppliers who hold a long term contract, is a great way to improve overall supply chain performance. The primary focus of collaborations is demand forecast information. The more information public bodies can provide the supplier regarding future demands or requirements, the more likely it is that the supplier will be able to support the stock management with shorter lead times. In the ideal collaboration scenario, the supplier helps to maintain minimum inventory levels (or none) and replenishment materials and supplies arrive just in time to meet needs.

Supplier managed inventory program: - the PPAP forward the system of “Public-private partnership.” The supplier managed inventory programs involve the assignment of inventory responsibility to a supplier. There are a variety of applications that include varying degrees of assignment of supply management responsibilities, store house ownership and location, and risk.

In its simplest form, supplier-managed inventory involves a third party managing the inventory at the customer's location, but the customer still retains ownership of the inventory.

6.4 DISPOSAL OF STOCK

Disposing unwanted and surplus property on time is the responsibility the PAO. The procedure for disposing stock shall follow the procedures stated at the GOFFAM.

VII STORAGE

Article 65 sub articles 4 of the PPAP states that supplies not acquired for immediate consumption shall form part of supply inventories and the custodial responsibility be assigned for such inventories.

This part gives guidance on principles that shall be followed when arranging stocks in the store. Public bodies may have one central store or decentralized storehouses, this depends on the geographic proximity to users departments. It is also advantageous to have stockyards for keeping bulky items that are not easily damaged by the weather and easily misappropriated.

7.1 RESPONSIBILITIES

- (a) The PAO has the overall responsibility for ensuring that the storehouses are properly arranged and that proper house-keeping is maintained all the time.
- (b) The Storekeepers are responsible for ensuring that the storehouses are clean, well arranged and stocks and shelves are properly labeled.

7.2 STORAGE OBJECTIVE

Storage objectives are the following.

- (a) The maximum use of horizontal and vertical space of stores
- (b) Ensuring that all stocks are readily accessible
- (c) Efficient and quick movement of stocks
- (d) Provision of maximum protection to stocks against damage, deterioration and un- authorized usage
- (e) Ensuring proper house-keeping

7.3 STORAGE PLAN

Planning of how to use the available storage space is a pre-requisite for efficient and effective storage. The storage plan shows:

- (1) Receiving area and offices
- (2) Direction of storage
- (3) Storage areas

- (4) Inwards and outwards roads and aisles/gang ways
- (5) Issuing area and offices
- (6) Gates

As a guide, the storage aisles must:

- (1) be unobstructed
- (2) be straight
- (3) lead to doors where necessary
- (4) minimize intersections
- (5) be wide enough to permit efficient operation without wasting space

7.4 STORAGE OPERATIONS

The following are recommended for the storage arrangements and operation.

- (1) A Stocks receiving points should be separate from stocks issuing points and where possible in opposite direction
- (2) The stocks shall be stored by classes. The stocks commonly associated with each other shall be stored near each other
- (3) Fast moving stocks should be stored near the issuing place in order to quicken and simplify issuing task
- (4) Dormant stocks, slow moving stock, and light and easy to handle materials shall be stored in distant locations
- (5) When allocating storage space consideration shall be given to size, length, width and volume of individual materials.
- (6) Consideration shall be given to characteristics of the stocks, such as, ease to get rust, flammability, hazardousness and fragileness.
- (7) The storage buildings and facilities should be clean all the time and the stored materials should be tidy, neatly arranged and properly labeled.
- (8) There should be neat and orderly arrangement of shelves, racks and bins

7.5 STORAGE SAFETY AND SECURITY

Major activities in the day to day operation of storehouses, security and safety are revealed as follows:

7.5.1. STORES SECURITY

(1) Custody of Keys: All keys belonging to the storehouses and stockyards are numbered and registered, and written instructions are issued nominating the person responsible for them. During off duty hours, it is advisable if keys are kept in a locked key safe in some convenient place such at the entrance gates of the establishments. Everyone collecting or depositing a key is required to sign the register on each occasion. The number of duplicate keys is carefully restricted and they are deposited in the keeping of some senior officer who has a safe. In the event of keys being lost, mislaid or stolen, the fullest possible inquiries are made, if there is any uncertainty, a new lock should be fitted.

(2) Access to premises: The stock keeper has the authority not only to exercise supervision over his own staff but also over all other persons who visit the premises for any purpose. All employees collecting goods should not normally be admitted into the storage area, but kept on the side of the issue counter.

(3) Fire Precautions: The usual precautions, where the fire risk is substantial, are listed as follows:

- (a) Smoking on the premises is forbidden and notices posted to this effect.
- (b) Appropriate fire-prevention equipment is provided; extinguisher, ladders, axes, fire buckets, hoses and so on. In bigger warehouses it safe to have to find a fire engine or traitor pump &, where the fire risk is high an automatic overhead-sprinkler system may be installed. All such equipment's is regularly inspected and maintained.

- (c) Storekeepers are trained in fire fighting duties and practices held at interval.
- (d) The procedure for calling the fire brigade in case of need thoroughly publicized.
- (e) Especially inflammable stores are segregated in a separate building or in separate stacks.

(3) Security of Building and Stockyards

- (a) Doors should be restricted to the minimum number necessary for efficient operation and fitted with adequate locks.
- (b) All windows and skylights must be capable of being securely fastened and, if there is any obvious danger of unauthorized entry, additional protection in a form of bars or wire mesh may be advisable.
- (c) Stockyards should be surrounded by an adequate fence with locking gates.

7.5.2 STORES SAFETY

The following measures are necessary if accidents are to be checked.

- (1) Safety consciousness should be installed in the minds of storekeepers, through training, visual aids and literature
- (2) Safety appliances, such as goggles, hand gloves, hard hats, protective footwear must be provided and their use must be encouraged
- (3) Good housekeeping is essential. This means that gangways must be clean, adequately wide so that movements are smooth
- (4) All store equipment must be kept in good order. This includes adequate maintenance practices of material handling equipments if any
- (5) Safety signs should be used to signal hazards

- (6) Equipments for use in the events of an accident such as first aid kit, high volume showers, and gas masks should be kept close to stocks of hazardous materials. Emergency communication channels should be established and kept clear

7.6 STORAGE EQUIPMENT

Types of equipment's commonly used in storing materials are:

Pallets: A pallet is a piece of equipment especially designed to facilitate mechanical handling by forklift trucks, and may be used for both storage & transportation purposes.

Open and closed shelving

- (a) Open type shelving: They are suitable for storing packaged items, such as small tins of paints, files, drills, boxes of cleaning materials.
- (b) Closed type shelving: The most widely used form of storage fixture, and it can accommodate items such as hand tools, pipe fittings and machinery spares.

Racks: A Rack is the generic name given to any kind of storage fixture. Racks are used for the accommodation of tubes, bars, sheets, plates and tires.

Measuring equipment: All storehouses should have sufficient equipment for checking receipts and issue by weight, by liquid measure and by size. The most widely used equipment's and their purpose are shown as follows:

Figure 4

Equipment	Purpose
Platform scales	Check medium size weight

dip-sticks	measure large tanks with liquid
steel, tape measures	measure dimensions

Cleaning equipment such as dusters, vacuum cleaner and ladders need to be available in store house.