

# INVENTORY

## STORE MANAGEMENT POLICY

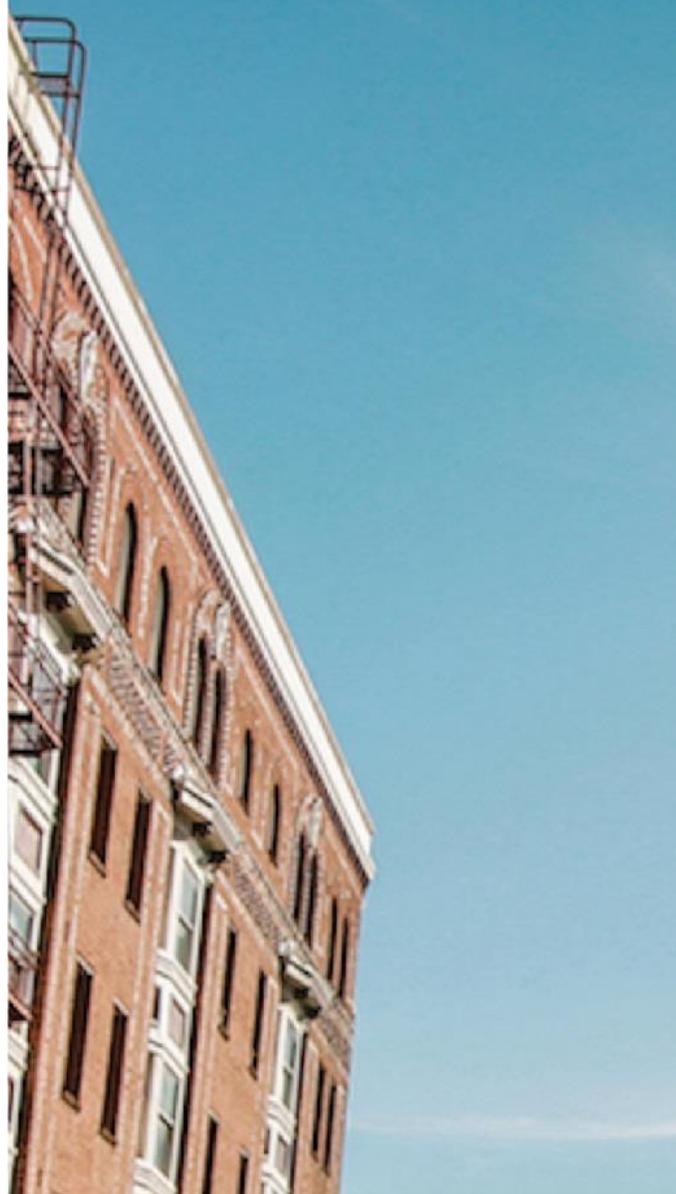


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# INVENTORY/STORE MANAGEMENT POLICY

## PURPOSE

The purpose of this policy is to outline the principles of inventory management of the Organization and to ensure the appropriate recording, security and regular stock take of all organization inventories. The purpose of this policy is to ensure that all the inventory management processes relating to purchasing, issuing and control are formalized.

“FAROF’s inventory policy is a set of guidelines that the Foundation follows to determine when, how much, and what type of inventory should be ordered or produced to meet customer demand while minimizing costs”

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## **1.0. PURPOSE**

The purpose of this policy is to outline the principles of inventory management of the Organization and to ensure the appropriate recording, security and regular stock take of all organization inventories. The purpose of this policy is to ensure that all the inventory management processes relating to purchasing, issuing and control are formalized.

## **2.0. OBJECTIVE OF THE POLICY**

The policy aims to achieve the following objectives which are to:-

- a. Provide guidelines that employees of Freehearts Africa Reach Out Foundation must follow in the management and control of inventory, including safeguarding and disposal of inventory.
- b. Procure inventory in line with the established procurement principles contained in the Organization's Procurement Policy.
- c. Eliminate any potential misuse of inventory and possible theft.

## **3.0. SCOPE**

This policy applies to all forms of inventory held by the Organization and to all staff responsible for the identification, management and recording of inventory.

### **A. POLICY ATTRIBUTES**

Responsibility for Inventory Management states as follows:

- The Accounting Officer of FAROF must take full responsibility and ensure that proper control systems exist for inventory and that- Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and Stock levels are at an optimum and economical level.
- The Accounting Officer of FAROF must ensure that processes (whether manual or electronic) and procedures are in place for effective, efficient, economical and transparent use of the organization's inventory.

### **B. REPLENISHMENT OF STOCK**

Procurement department should identify inventory items that need to be ordered for all departments. Items identified may either be items due for replenishment due to normal usage or specific requests received for specific projects or tasks.

The following may be used as methods/ tools to assist with the process of determining items to be replenished:

## **4.0. INVENTORY/ASSET MANAGEMENT**

We spend donor resources on valuable equipment that we will use to do our work. In order to use that equipment most effectively, we must have an accurate record of what we have and where it is. That record is our Inventory List.

We record on this list all the things we use for our work that are **durable** (stuff that lasts – like phones, vehicles, furniture, and computers) **and worth over NGN5000**.

An asset is defined as any item that will benefit FAROF for a number of years. Items valued at **N 5,000** or more will be considered as assets. These items are capital items. Examples of assets are:

- Vehicles and motorcycles.
- Electronic office equipment – computers, photocopiers, laptops, printers, telephone system, fax machines.
- Other electrical equipment – cameras, televisions, video recorders etc.
- Expensive items of office furniture – desks, chairs, safes, cabinets.
- Other fixtures – generators
- Any FAROF owned items of furniture or electrical equipment belonging to FAROF held in staff or volunteer houses where their cost exceeds the above value limit.

These items are given special attention because they are expensive, often portable, often desirable and sometimes difficult to locate at any point in time. There are therefore a whole series of special risks attached to these items.

Because these items are special such assets should be recorded on a Fixed Asset Register.

It is good practice to maintain a fixed asset manual file in which to keep a paper copy of the fixed asset register, photocopies of high value invoices (original invoices should always be attached to the payment voucher), quotations at the time of purchase, tender documents where relevant and documentation of any decisions taken. These documents should be kept for at least 7 years

**There are two types of items on the Inventory List.**

1. Items worth NGN50,000 or more. These are called Assets. This group also includes *sets* of items worth NGN50,000 or more (for instance, a whole computer network).
2. Items that are worth less than NGN50,000 (but more than NGN5000).

use the attached form in **ATTACHMENT F: Inventory List Template**

**There are four important pieces to FAROF Inventory Management**

1. **Adding Things to the List** Add things to the Inventory List when they come in to the office for the first time. Adding things to the list is a step in the Receiving Procedure.

2. **Assigning a Location or Individual Responsibility** for each item. When we put an item on the List, we assign it:
  1. To a specific location in a FAROF facility, *or*
  2. To an individual who will be responsible for it, with an Equipment Handover Form.

This is how we know where each item is so we can check on it later. If the item is assigned to an individual (for example, a laptop computer), that person takes full responsibility for the item. We make sure they understand this responsibility by having them read and sign an Equipment Handover Form.

3. **Regularly Checking the List, Taking Inventory** We check the Inventory List against reality by finding each item on the list and inspecting it. During this check, we also update the list with any changes we must make based on what we find. Assign someone other than the Receiving Official to schedule a morning or afternoon every month and check the Inventory List against what's actually in the office and guest house. The faster the program is growing (the more you are purchasing, the more people there are running in, out and around), the more frequently you should do this to make sure everything is still where it should be.
4. **Taking Things Off the List, Disposal** When items are lost, broken, or stolen, we must update the Inventory List. We don't take items off the list. We just update the status of the item on the list to show that we aren't using it anymore or that it is gone. For very expensive items that are broken, lost, or stolen, we also fill out a Disposal of Asset Form. This form requires us to explain what happened to a particular item. If the loss was due to a security incident, the people involved should also fill out a Safety and Security Incident Report.

#### 4.1. Maintaining and Safeguarding Assets:

Asset security and asset maintenance are important. The Logistic Officer is responsible for asset security and their regular maintenance. Logistic Officer should have a regular maintenance schedule and ensure proper maintenance of a high standard. All valuables are logged in and out of a secure location with signatories.

Stock takes are jointly performed and signed prior to handing the key over to a new or substitute key holder.

A set of spare keys must be kept by the country director in a individually sealed envelopes, where the key holder signed under the sellotape seal.

Copy of updated versions of the fixed asset register and insurance contracts will be held off site to get value of assets and entitlement to insurance in the event of a fire or other emergency the office may lose its record.

#### 4.2. Disposal of Stock/Assets

The CEO should authorize all asset disposals (including scrapped assets) by signing an **Asset Disposal form**, which should be filed behind the fixed asset register.

## Disposal Of Asset Form In ATTACHMENT I

### For assets with a market value of less than N 50,000;

- A minimum price should be set by a team of 3 members of the office staff.
- The assets should be advertised internally at least 2 weeks prior to the closing bidding date.
- The highest bid should always be selected.

### For assets with a market Value of N 50,000 and above:

- A minimum price should be set. For high value assets, an independent valuation may be obtained prior to sale and used to set a minimum value above which bids will be considered.
- Advertise publicly i.e. FAROF (May also choose national newspapers) The advert should state that there would be no preferential treatment. The advert should include a physical description of the item, its age, condition and original purchase price.
- Sealed bids should be submitted to the CEO (or designated delegate) for opening on the advertised day and time.
- The highest bid should always be selected.
- FAROF is not obliged to accept any bid made but reasons for any decision taken must be kept on file along with all valuations and quotations received.
- Payment for items must be made prior to collection of the asset
- Where items are scrapped at minimal or nil value, the decision to scrap needs to be approved by the CEO and documented. Proof of scrapping should be obtained where possible and held on file.
- The asset register should be used to record the price received for any asset disposed of. This will help the CEO to review this on a periodic basis and to pick up any disposals where the proceeds were less than expected.
- Disposals of IT hardware should be controlled to ensure that all FAROF data and proprietor software is wiped from the hard drive before sale.

### 4.3. Maintaining an Asset Register:

The Head Of Finance (HOF), Finance and Programme Support Manager (**FPSM**) will check the asset register at least once each quarter against the purchases and sales recorded in the Purchase documents such as the QuickBooks system against codes (Capital Costs) and (capital sales), and any item purchased/disposed of that are not recorded in the register should be entered. Similarly, the FPSM is responsible for ensuring that the asset register is up to date. During the review process, the FPSM should:

- Check that assets in the register can be found and separately identified
- Check that the assets held are all recorded in the register

Any asset that cannot be found must be reported as soon as possible to the CEO that a loss has been discovered. Losses need to be investigated at CEO level and the asset register should be updated accordingly.

Any losses through theft need to be reported to the Internal Auditor at FAROF, who keeps a record of all asset losses for THE FOUNDATION.

During the review exercise, a note should be made of any assets that are due for disposal or replacement, or that are in poor condition or require maintenance and the relevant staff member should be informed.

The review exercise should be carried out at least once per annum for each asset. However, it does not need to be done all at once, indeed to minimize the effects on workload it may make sense to verify a quarter of the assets each quarter.

A record needs to be kept of the review so that there is adequate proof of when the latest check was carried out.

#### 4.4. Warehouse Ledger

**Format**

**Manual ledgers** are required to allow for individual tracking of each commodity in the warehouse; **electronic ledgers** are recommended, though a physical ledger should still be kept to use as back up in case of system failure.

**Purpose**

The Warehouse Ledger is essential for the proper management of the warehouse stock per commodity.

**How to Use**

Upon completion of any movement of commodities within the warehouse, the movement must be fully documented in the warehouse ledger. This includes any loss of stock while the commodity is stored in the warehouse.

It is a recommended that as data is entered into the stack cards it is entered immediately afterward into the warehouse ledger.

\* If you take over a warehouse that has no stack cards or warehouse ledger, or these tools are not being used correctly, your first action should be to conduct a physical inventory of the warehouse stock and immediately put a warehouse ledger and stack cards into use for all commodities in the warehouse.

**How to Distribute Copies**

No copies. The warehouse ledger should be kept at the

warehouse site as the primary inventory record, though sometimes there are multiple ledgers at the warehouse depending on the commodity accounting approach or systems.

**Note:** Items on the Inventory List do not include items that are in the Warehouse Ledger. We keep track of warehoused items separately. Our own equipment in our warehouse (for example, our computers and our desks that we use there) goes on the Inventory List.

**Warehouse Ledger Template** in **ATTACHMENT J**

## **5.0. INVENTORY PROCEDURES**

The procedures for inventory must be followed to ensure that:

- a) Inventory is safeguarded at all times;
- b) There are accurate records of quantities on hand at all times;
- c) Optimum inventory levels are maintained to meet the needs of users;
- d) Only authorized issues of inventory are made to users; and
- e) Items placed in store are secured and only used for the purpose for which they were purchased.

### **5.1. Appointment Of Responsible Officials**

- The Head of Finance shall appoint a procurement officer, or assign a staff within the admin/finance department to be responsible for inventory management, in writing and approval from the CEO, officials to perform the duties of a Stores keeper in terms of this Policy.
- Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

### **5.2. Ordering Of Inventory**

The admin and finance department must set Inventory reorder levels for all items. The inventory levels must indicate the minimum and maximum inventory that can be maintained.

- Due diligence and care shall be exercised in identifying low value and high value items of inventory.
- Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up in inventory.
- A reorder listing should be printed daily and reviewed by the Store keeper

- The Procurement officer must use the listing as a primary source of information to complete the purchasing requisition form, attached hereto as Annexure C.
- The purchasing requisition form must be completed in duplicate, with one copy kept in the requisition book and an original copy forwarded to the procurement section.
- A copy of the purchase order form will then be forwarded by the procurement department to the inventory department.
- Orders must thereafter be filed in date sequence.
- This file must form the basis for follow up of orders and for matching goods that are delivered to inventory department.
- The orders file should be reviewed daily by the Store keeper and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately.

### 5.3. Receipt of Inventory

- The quantity and quality of the inventory received from suppliers must be according to specifications.
- The Procurement officer must compare the delivery note to the purchase order before accepting the goods.
- The invoice must match the supplier name and order number.
- Procurement officer must ensure that:
  - a. All delivery notes are signed
  - b. All incorrect delivery items are rejected and clearly identified on both copies of the delivery note; and
  - c. The supplier signs all amendments
- The inventory received must be transferred to the secured store by the store keeper and the inventories must be stored in their respective sections once they are received
- The inventory record/register/database must be updated on the day the goods are received.

#### 5.3.1. Receiving New Items at the Office

Whenever new items arrive at the office (from a vendor, from another FAROF's Office, from *anywhere*), we must officially **Receive** the items.

If the items are something we have purchased from a vendor, we will pay for the items only *after* we have **Received** them, that is, verified in writing that what we ordered and were billed for is exactly what we got or percentage payment terms as approved by the CEO.

And all items, from a vendor or somewhere else, must go into our stock or inventory records so we can account for them later.

Assign one staff member to be responsible for all Receiving. Because we must Segregate Duties, this person must not be a member of the Purchasing Department.

When a delivery arrives (or a staff person picks up a new item and brings it back to the office) the Receiving Official will:

1. **Count the items** in the delivery to make sure the right number of items have arrived.
2. **Compare the number and type of items** to the Waybill (or Packing List, or other document that accompanies the items).
3. **Inspect them** to make sure:
  1. They are in good condition.
  2. They are what we were expecting to receive.
4. **Record the information** about what we received on:
  1. Any Waybill or other documentation that the delivery person might have.
  2. A Goods Received Note.

See Goods receiving form in **ATTACHMENT E**

5. **Record durable items worth over NGN5000** on the Inventory List.
6. For any item that is put on the inventory list, **write the inventory number** (from the Inventory List) **on the item**.
7. Officially **hand the items over** to the person who will be responsible for them.

See Equipment handover form in **ATTACHMENT H**

#### 5.4. Storage of Inventory

- Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the organization.
- The area must be used exclusively for the storage of inventory, with limited authorized access only.
- Inventory must be positioned to facilitate efficient handling and checking.
- All items must be stored separately, with proper segregation.
- Inventory must be clearly labeled for easy identification. Inventory tag/bin cards or inventory labels may be used to identify each item and to aid in the physical verification of the items. Details should include the following:
  - a) Order number (unique Item ID category as stated in **section 10.0 below**; and year of purchase) eg. **( FAROF-111-2018)**
  - b) Quantity received;
  - c) Date of receipt;
  - d) Quantity issued;
  - e) Date of issue;

- f) Maximum stock level;
  - g) Re-order level;
  - h) Re-order quantity;
  - i) Closing stock; and
  - j) Any other relevant information.
- 
- Where possible, all items of the same type and reference must be stored together as per the description on the inventory records.
  - Items with limited shelf life must be rotated on a first in first out basis, to reduce the occurrence of expired or obsolete stocks.
  - Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.
  - Due regard must be given to any safety standards which may apply to the storage of certain inventories.
  - Steps must be taken to ensure safe custody of items, including precautions against loss or theft.
  - The store keeper or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence, such items, where applicable, are securely stored.
  - The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.
  - No unauthorized persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official.
  - Whenever a change in the store keeper occurs, an inventory count must be conducted.
  - An independent official shall be nominated in writing by the delegated authority to assist the official handing and taking over with the checking of the inventory and any discrepancies.
  - Should the above not be complied with, the official taking over shall be liable for any discrepancies.
  - A handing-over certificate, attached here to as Annexure A, must be completed by the handing and taking over officials and a copy retained for record purposes.

The following fire protection precautions must be adhered to:

- a. Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;
- b. The area must be clearly signposted; and
- c. Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

### 5.5. Issue Of Inventory

- Only the assigned responsible Officer(Procurement Officer) is authorized to issue inventory from the storeroom.
- Inventory must only be issued in terms of the approved requisition form of the organization.
- All requisition forms must be ruled off immediately below the last item to prevent items being added once the requisition is authorized by the responsibility manager.
- The Storekeeper must prepare the Stock Issue Note once stock items to be issued have been picked up from the shelves
- The staff receiving the inventory must acknowledge the receipt of stock items requested, by signing the Stock Issue Note prepared by the Storekeeper.
- Inventories must be issued and used for official purposes only.

### 5.6. Obsolete inventory

- The preparatory work for the disposal of obsolete inventory must be undertaken by the Storekeeper and verified by the procurement officer.
- The Procurement Officer or delegated authority must convene a Disposal Committee for the disposal of obsolete inventory.
- The Disposal Committee should consist of at least three staffs, one of whom must act as the chairperson.
- The delegated authority may approve the write-off of inventory, if satisfied that: -
  - a. The inventory has expired and is redundant;
  - b. The inventory is of a specialized nature and has become outdated due to the introduction of upgraded and more effective products;
  - c. The inventory cannot be used for the purpose for which it was originally intended; or
  - d. The inventory has been damaged and is rendered useless.
- All disposed of items must be updated in the inventory records/register/database for the purposes of proper management and control.

### 6.0. INVENTORY COUNT

- Items may be subject to an inventory count on a monthly basis or as required by CEO.
- Where the quantity of inventory is too large for the count to be completed on a single occasion, inventory counts may be carried out on a rotational basis with a full inventory count at the end of each financial year.
- All approved organization procedures and processes must be complied with during the inventory count.
- The Storekeeper must document and report to the Procurement Officer after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.

- The Procurement Officer must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Chief Executive Officer of the Organization for the write-off of any inventory's losses, or the write-up of surpluses.
- The appropriate disciplinary action must be instituted when applicable.
- The inventory record, register, database or system must be updated accordingly.

## 6.1. Inventory Count (Physical Inventory)

### PHYSICAL VERIFICATION OF STOCK

A person designated by the CEO will physically verify the stock inventory on an annual bases and s/he should prepare a physical verification statement and produce yearly inventory statements.

#### 1. Scheduled Counts (The Physical Inventory Process)

**Annually and/or monthly if required, three different people must physically count everything in the warehouse.** They each count separately (but at the same time). Two of the three people must be non-warehousing department staff. **The physical inventory form template** can be found in **ATTACHMENT B**

They do this in the following manner:

##### Phase 1, Counting

1. They each count by stack or bin, writing down their count for each stack or bin.
2. When they are finished counting all stacks, they compare their numbers. If they have different numbers, they must re-count until the numbers match.

##### Phase 2, Recording

When the three counters have numbers that match, they:

1. Write each stack/bin's count quantity (the amount they counted) on the stack/bin card and each sign beside it. These entries should be in a different color than the normal recorded commodity movements.
2. Write each item's quantity (the amount they counted) in the Warehouse Ledger and each sign beside it. These entries should be in a different color than the normal recorded commodity movements.

##### Phase 3, Reporting

When the counters have finished counting and recording,

1. The Warehouse Officer fills in an Inventory Report. This becomes the official status of the stock as of the date of the count, and replaces any previous counts.
2. The Warehouse Manager distributes the Inventory Report to Stock Owners, the Emergency Team Leader, and any other key staff on the team.

## 2. Surprise Counts

**This is important.**

**Someone from the main office should also do a surprise count**, approximately once each month. Non-logistics staff will carry out these counts, using [the same methods described above](#) under Scheduled Counts.

Make sure warehouse staff know that these will take place, but do not know *when*.

## 3. What if a Count Doesn't Match the Records?

If the three people repeatedly count a quantity that is different than the quantity written on any stock/bin card or in the Warehouse Ledger, they must work with the Warehouse Officer to figure out why there is a difference. To do this they will retrace all transactions since the last inventory count and verify related entries on the warehouse documents.

This process consists of going line by line on the bin card from the last inventory count, and verifying each entry against supporting documentation (waybill, general ledger, reconditioning report) to check the accuracy of all records, and recalculating the balance to confirm the balance on the stack card, after each transaction.

If they still cannot explain the discrepancy, then it must be recorded as a **warehouse loss**, attributable to the Warehouse Officer. The inventory team must write a **loss report** and more elaborate investigations can take place.

Usually the next step after submission of an inventory report showing an unexplained warehouse loss is that an auditor conducts a more extensive inquiry, including further verification of records (to verify that there is no falsification of documents, check warehouse movements), interviews (to verify who had access to the warehouse and under what conditions, etc...).

The warehouse can remain in operation during an investigation, receiving and dispatching as needed for emergency operations. **But you should increase supervision until the examination can figure out why there was a problem.**

## Loss Report

**Format** Report and two copies

**Purpose** A loss is an incident in which commodities are discovered to be missing or damaged. An incident is a loss that is either: 1) Discovered at a particular time and location, such as during a warehouse inventory, or 2) Occurred within a contract with a third party, such as a transport contract.

In either case, a loss and claims report must be prepared to justify reordering, pursue claims and/or dispose of damaged commodities.

**How to Use** The primary document for the files in the case of a transport loss is the Goods Received Note, filled out during unloading and reconditioning. When the loss occurs within the warehouse, the primary document for the files is the reconditioning report. The Loss and Claim Report should be filled out by the Commodity Management Office once reconditioning has concluded.

The form should be signed and dated. Attach copies of all relevant documentation (Delivery Notes, Goods Received Notes...) and submit to the Logistics Officer for review, approval and submission to the proper authorities.

**How to Distribute Copies** After signatures, the Logistics Officer will give out the copies as follows:

Copy 1: Warehouse office files, in warehouse

Copy 2: Warehouse office files, in main office

**Copy of the lost report form is in ATTACHMENT G**

## 7.0. INVENTORY RECORDS

- FAROF adopt the use of electronic inventory record/register/database for all inventory items, which is printed out quarterly as hard copy and signed by the CEO.
- All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:
  - a. Order number/date;
  - b. Item description;
  - c. Quantity and value of stock on hand;
  - d. Quantity and value of stock received;
  - e. Quantity and value of stock issued;
  - f. Re-order level;

- g. Optimum inventory level;
  - h. Quantity and value of obsolete stock; and
  - i. Opening/closing balance.
- An inventory register/database that is electronically saved must be updated as stocks are supplied, printed and signed copies by the CEO will be filed in a chronological order in the cabinet to maintain a proper audit trail.

## **8.0. INVENTORY – CONTROL**

1. Access to the stores area should be limited to the procurement officers/Committee only. The area should be locked during periods when the procurement officers are not present.
2. The Procurement officer should be held responsible for any unexplained shortages that arise from the results of the inventory counts.
3. Delegated officials of the Procurement department should perform physical inventory counts regularly on a test basis. The purpose is to compare the physical inventory with the theoretical records on a test basis and to detect possible theft, fraud or accounting errors on a timeous basis.
4. Complete inventory verifications of all items on hand should be performed at least twice per year in the financial year. These counts should be performed on the last day of the financial year and after six months of the financial year. The purpose is to compare the total physical inventory with the theoretical records and to detect possible theft, fraud or error.
5. Adjustments to the inventory records, computerized as well as manual should in all instances be authorized by the CEO and adjustments by the procurement officer should be supported by authorized documentation.
6. The stores area should at all times be clean and the inventory items/goods stacked in such a manner to ensure easy identification.
7. Results from all inventory counts should be kept on the permanent file for future reference.
8. Separate and un-identical inventory control numbers should be allowed to each inventory item and be captured onto the computer system as well as on the inventory bins.
9. Perpetual inventory records should be kept on computer as well as manually on the bin cards. The inventory on hand of these two systems should at all times reconcile.
10. It is the duty of Procurement Officer to ensure completeness of all inventory issue and receipt transactions on the financial system.
11. It is the duty of the Procurement officer to ensure that the inventory control account reconciles with the inventory ledger on a monthly basis. This reconciliation should be finalized by the 15th working days of each month.
12. The year-end inventory on hand balance should be disclosed in the organization's financial statements.

## 9.0. REPORTING

- A report must be submitted at least quarterly or as advised to the Head of Finance and/or the Responsible Manager detailing the following:
  - a. Any inventory shortages or surpluses and the reasons for such;
  - b. Any inventory deficits proposed to be written-off; and
  - c. Any obsolete inventory items.
- Inventories purchased during the financial year must be disclosed at cost in the disclosure notes of the Annual Financial Statements of the organization.
- In the case where the Procurement committee are the responsible officers, reports are to be sent to the head of finance and final recommendation/approval gotten from the CEO.
- In terms of GRAP (Generally Recognized Accounting Practice) the financial statements shall disclose:
  - a) The accounting policies adopted in measuring inventories, including the cost formula used,
  - b) The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
  - c) The carrying amount of inventories carried at fair value less costs to sell,
  - d) The amount of inventories recognized as an expense during the period,
  - e) The amount of any write-down of inventories recognized as an expense in the period.
  - f) The amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period.
  - g) The circumstances or events that led to the reversal of a write-down of inventories.
  - h) The carrying amount of inventories pledged as security for liabilities.

## 10.0. CREATING ASSET ID'S NUMBERS POLICY

In developing an asset inventory, it is critical to develop a unique asset identification number (Asset ID) for each asset in the inventory. This ID number can be anything, as long as it is unique. The Asset ID allows for easier asset identification, allows systems to search and query data more effectively, and makes valuable data more readily available.

**Use of software:** Some software programs may limit the number of characters allowed in a given data field. The system should be aware of these limitations when selecting software and/or determining how to number assets. The numbering system should be consistent throughout the system and should be easily and quickly recognized by all personnel.

**10.1. Developing Asset ID Number:** There are several approaches to developing an asset numbering system. Each has advantages and disadvantages. Any numbering system can work. The system chosen should be one that best fits the system. It is worthwhile to examine approaches used by other systems in selecting a numbering scheme, and then modify them to suit the individual needs of the system.

**10.1.1. Unique Inventory asset for FAROF with code:** each FAROF assets is categorized using a special Equipment ID Code Number to identify and/or describe its class, for example:

Code (Equipment Identification Code number)	Item Category (Description of Item)
111	<b>Digital/IT Assets</b> such as Computer accessories including antivirus, laptops, printer, photocopy machine, digital camera, phones, scanner, etc
112	<b>Furniture Assets</b> such as Cabinet, cupboard, Notice board, tables and chairs
113	<b>Electrical and Electronics Assets</b> such as Television, speakers, radio, fans,

See More of FAROF FIX ASSET CODE in ATTACHEMENT K

### 10.1.2. Procedure in Creating Asset ID Number Tags

## Asset Tagging Step by Step

- Name and/or Logo of FAROF
- Firstly, insert the Asset Location, the location shall contain department using Asset and state office as **Prefix** e.g. FINANCEKD, M&EABJ
- Secondly, state the unique product type code as stated in the FAROF Equipment ID code e.g. 111 “laptop which is under the item code 111”
- Thirdly, insert the dash symbol before placing the **Product serial number written according to the row captured in FAROF inventory/Register** Template list, e.g. -01, -02, -45, etc.
- Follow by the date/year of product purchase as **Suffix** e.g. 2023
- indicate item condition using approved marks as indicated below
- Thus, the inventory ID number shall be M&EKD111-012023

**As a result, you'll instantly know that asset M&EKD111-012023 is a laptop located in the office of the M&E department with serial number 01 as stated in the inventory register, purchased in the year 2023**

**10.2. Tagging Asset ID Numbers:** FAROF system consider assigning a unique ID number or putting Asset ID numbers on tags, either tags that are on printed stickers/labels or tags that use QR codes that can be read with phones or tablets or UPC codes that can be scanned by electronic devices, tags can be made from any lasting materials and attaching the tag to the asset whenever the assets are visible and accessible. The tags should be durable and attached in a semi-permanent way. If tags become worn or knocked off the equipment, they should be replaced

Approved Samples:

SYMBOL MARKS	APPROVED TAG SAMPLE

***This policy is signed and approved by:***

**Chairman Board of Trustees:**

**Chief Executive Officer**

Date: 28<sup>th</sup> November 2023

Date: 28<sup>th</sup> November 2023

## **ATTACHMENT A-HANDING OVER CERTIFICATE**

### **HANDING-OVER CERTIFICATE**

I certify that this is a true statement of inventory as per stock report attached hereto and that inventory has been duly accounted for.

Signature of official handing over inventory: \_\_\_\_\_

Designation : \_\_\_\_\_

Date : \_\_\_\_\_

I certify that this is a true statement of inventory as per stock report attached hereto and that all inventory has been duly accounted for

Signature of official taking over inventory: \_\_\_\_\_

Designation : \_\_\_\_\_

Date : \_\_\_\_\_

**ATTACHMENT B-Monthly/Annual Inventory Count**



**Monthly/Annual  
Physical Inventory Count &  
Warehouse/Office Inspection  
Form**

**Inventory count may be on a monthly basis or Annual basis as required and approved by the CEO**

**MONTHLY/ANNUALLY INVENTORY COUNT FOR THE PERIOD: \_\_\_\_\_**

**Warehouse/Office: \_\_\_\_\_ Date: \_\_\_\_\_**

**Name of Counter: \_\_\_\_\_ Signature: \_\_\_\_\_**

**Names of Others Counting Today:**

**Counter 2 Name: \_\_\_\_\_**

**Counter 3 Name: \_\_\_\_\_**

**Warehouse/Office Capacity (m<sup>2</sup> or MT): \_\_\_\_\_ % used by FAROF: \_\_\_\_\_**

**Type of Warehouse/Office (permanent, temporary, etc.): \_\_\_\_\_**

**Type of Materials in Warehouse/Office ( Food, Medicines, Fix asset): \_\_\_\_\_**

**Type of floor (cement, dirt, wood, etc.) state if applicable: \_\_\_\_\_**

	Qty in Ledger	Qty Counted
<b>Total Number of Stacks and Bins</b>		

This is to certify that the Monthly/Annually inventory count has been undertaken for all items.

**Count Items in Each Stack and Bin**

Line #	Stack/Bin Number	Qty on Stack/Bin Card	Qty Counted



**FAROF INVENTORY/STORE MANAGEMENT POLICY**

Line #	Stock Type	Qty in Ledger	Qty Counted

**Warehouse Inspection (Interior):**

<input checked="" type="checkbox"/>	Item Inspected	Recommended Action	Date Action Completed
<input type="checkbox"/>	Walls (check for holes, cleanliness, evidence of roof leaks)		
<input type="checkbox"/>	Roof (check for leaks or potential problems)		
<input type="checkbox"/>	Floor (check for roof leaks, cracks and holes)		
<input type="checkbox"/>	Doors (operation, seal, locks)		
<input type="checkbox"/>	Windows (operation, breaks, locks)		
<input type="checkbox"/>	Ventilation system		
<input type="checkbox"/>	Lighting (quantity of lights, working)		
<input type="checkbox"/>	General Cleanliness		
<input type="checkbox"/>	Evidence of pests or infestations		
<input type="checkbox"/>	Rodent control used (describe):		
<input type="checkbox"/>	Evidence of birds (nest, etc.) – seal off access points as possible		
<input type="checkbox"/>	Fire Extinguishers (locations, inspections up to date)		
<input type="checkbox"/>	Cleaning materials (available, sufficient)		
<input type="checkbox"/>	No Smoking signs		
<input type="checkbox"/>	First Aid Kit		
<input type="checkbox"/>	Tidy work area (including trash receptacles)		
<input type="checkbox"/>			
<input type="checkbox"/>			

**FAROF INVENTORY/STORE MANAGEMENT POLICY**

<input type="checkbox"/>			
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**Insert more rows as required**

**Commodity Stocks (interior):**

<input checked="" type="checkbox"/>	Item Inspected	Recommended Action	Date Action Completed
<input type="checkbox"/>	Ledgers up to date		
<input type="checkbox"/>	Ledgers show reconciliations and inspections		
<input type="checkbox"/>	Files kept in appropriate manner		
<input type="checkbox"/>	Bin cards on each stack		
<input type="checkbox"/>	Bin card balances agree with ledgers		
<input type="checkbox"/>	Commodities stacked separately according to type, package and consignment		
<input type="checkbox"/>	Stacks orderly, according to plan		
<input type="checkbox"/>	Commodities stacked on pallets or dunnage		
<input type="checkbox"/>	Pallets have no protruding nails or splinters		
<input type="checkbox"/>	Minimum 1 meter space between stacks, between stacks and walls, and below roof		
<input type="checkbox"/>	Maximum height limits respected		
<input type="checkbox"/>	No split/broken/damaged sacks or containers		
<input type="checkbox"/>	Evidence of rodents or insect infestation		
<input type="checkbox"/>	Spider webs / cocoons evident		
<input type="checkbox"/>	Unusual smells		
<input type="checkbox"/>	Sacks of commodities hardened		
<input type="checkbox"/>	Evidence of oil leakage		
<input type="checkbox"/>	Unfit commodities segregated		
<input type="checkbox"/>	Rodent traps - positioned correctly		
<input type="checkbox"/>	Physical inventory agrees with ledgers		
<input type="checkbox"/>			

**Warehouse (exterior):**

<input checked="" type="checkbox"/>	Item Inspected	Recommended Action	Date Action Completed
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**FAROF INVENTORY/STORE MANAGEMENT POLICY**

<input type="checkbox"/>	Walls (check for holes and evidence of leaks)		
<input type="checkbox"/>	Roof (check for leaks or potential problems)		
<input type="checkbox"/>	Drainage (check for standing water)		
<input type="checkbox"/>	Doors (operation, seal, locks)		
<input type="checkbox"/>	Windows (operation, breaks, locks)		
<input type="checkbox"/>	Clean defensible space		
<input type="checkbox"/>	Lighting (quantity of lights, working)		
<input type="checkbox"/>	Fire Extinguishers (locations, inspections up to date)		
<input type="checkbox"/>	Trash receptacles		
<input type="checkbox"/>	Loading docks (clean, in good working order)		
<input type="checkbox"/>	Stairs in good shape		
<input type="checkbox"/>	"No Smoking" signs		
<input type="checkbox"/>	Truck access in good condition		
<input type="checkbox"/>	Evidence of security breaches in compound walls		
<input type="checkbox"/>			

**Insert more rows as required**

We certify that an inventory count of items was undertaken by:

1. Name:

\_\_\_\_\_ Rank: \_\_\_\_\_ Signature: \_\_\_\_\_

2. Name:

\_\_\_\_\_ Rank: \_\_\_\_\_ Signature: \_\_\_\_\_

3. Name:

\_\_\_\_\_ Rank: \_\_\_\_\_ Signature: \_\_\_\_\_

**HEAD OF DEPARTMENT**

**DATE**

**Approval Statement by the CEO:**

**ATTACHMENT C- Employee Asset inventory Receive Form**



**Employee Asset inventory  
Receive Form**

\*This form must be completed by staffs when receiving any organisation items/device that needs to remain in the possession of such employee or at all times whilst with FAROF.

**Employee Personal information**

Employee name:

Department:

Position Start date:

Position title:

**Device information**

<b>Date issued:</b>
<b>Received By:</b>
<b>Contact number:</b>
<b>Serial Number:</b>
<b>Make and Model:</b>
<b>List all Equipment/device/materials collected e.g. bag, power supply, mouse, etc.</b>
<b>Received From:</b>
<b>Further Details:</b> <b>(Fault Description, Symptoms, Software Installation etc.)</b>

Form completed by:

Approved by:

VOTE NO \_\_\_\_\_

**ATTACHMENT D- PURCHASING REQUISITION FORM**

CONTACT PERSON: \_\_\_\_\_

CONTACT NO: \_\_\_\_\_

DATE: \_\_\_\_\_

		REQUEST			ISSUED	
ITEM	DESCRIPTION	UNIT	PRICE PER UNIT	TOTAL	UNIT ISSUED	TOTAL COST
<b>TOTAL BALANCE CARRIED DOWN</b>				<b>0.00</b>		
<b>TOTAL VALUE OF STOCK ISSUED</b>				<b>0</b>		

APPROVED BY

RESPONSIBILITY MANAGER: \_\_\_\_\_

\_\_\_\_\_

RECEIVED

BY:

ISSUED BY: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

**ATTACHMENT E- Goods Received Note**

**Goods Received Note**



<b>TITLE OF FORM:</b>	
Number of pages:	Procedure Number
Prepared by: _____ Designation _____	Date: _____ Approved by: _____ Date: _____ Designation _____

*FAROF Goods Received Note*

Requisition no. \_\_\_\_\_ Institution: \_\_\_\_\_

Name of requisitioning officer: \_\_\_\_\_ Date: \_\_\_\_\_

Delivery note no: \_\_\_\_\_ Total number of packages: \_\_\_\_\_

Handed over by (name): \_\_\_\_\_ Date \_\_\_\_\_

Received by (name): \_\_\_\_\_ Date \_\_\_\_\_

Item description	Pack size	Unit price	Quantity ordered	Total price	Quantity delivered	Total price	Signature	Remarks
Refilable ink for photocopier machine		₱2500	1	₱2500	1	₱2500		

Name and signature of receiving officer: \_\_\_\_\_

Name and signature of witness/Check officer: \_\_\_\_\_

Review Date:					
Date Reviewed:					
Signature:					





**ATTACHMENT G-  
& Claim**

**Commodity Loss**

FAROF COMMODITY LOSS AND CLAIM PURSUIT REPORT

TO: \_\_\_\_\_ DATE: \_\_\_\_\_  
 FROM: FAROF PROGRAM> \_\_\_\_\_ LOSS REPORT No: \_\_\_\_\_  
 WHSE: \_\_\_\_\_ CLAIM No: \_\_\_\_\_  
 VENDOR: \_\_\_\_\_ DISTRIBUTION CENTER: \_\_\_\_\_  
 TRANSPORTER: \_\_\_\_\_ CENTER CODE: \_\_\_\_\_

Food Commodities  
 Non-Food Commodities

Regular Program  
 Other: \_\_\_\_\_

Commodity <small>(provide specifications)</small>	Containers			DN / WB No.	Source (e.g., Supplier, Donor)	Total QTY Lost by Weight (in KG) or Unit	Value CIF per KG or Unit (US \$)	Loss Value CIF (US \$)
	Type of Container	Net Weight In KG	No. of Damaged Containers					
<b>TOTALS :</b>								

3. Time and place of loss / damage / misuse:  
\_\_\_\_\_
4. Current location or disposition of commodities:  
\_\_\_\_\_
5. Person or agency having possession of commodities at time of loss / damage / misuse:  
\_\_\_\_\_
6. Nature and extent of loss / damage / misuse:  
\_\_\_\_\_
7. Details and circumstances under which loss / damage / misuse took place:  
\_\_\_\_\_
8. Actions taken to effect recovery, disposal (e.g., sale, donation, destruction) or restitution:  
\_\_\_\_\_
9. Details of any claims established against parties liable for the loss / damage / misuse:  
\_\_\_\_\_
10. FAROF proposes to waive further claims collection because:  
\_\_\_\_\_

**ACTION: FAROF or Donor Official**

Concur with the PVO action(s) taken.

Does not concur (explain): \_\_\_\_\_

Claim should be made against: \_\_\_\_\_

Other recommendations: \_\_\_\_\_

Signature (Authorized Official): \_\_\_\_\_ Date: \_\_\_\_\_

**ATTACHMENT H – Equipment Handover Form**  
**Equipment Handover Form**

	Item Description	Model	FAROF Stock No.	Serial No.	Additional Items Accompanying the main item?	Initials of Recipient
1						
2						
3						
4						

***By initialing above and signing below, I acknowledge that the items handed over are my responsibility until I turn them back in. I understand that if they are stolen, lost, or damaged while in my care, I will be responsible for replacing them at my own cost.***

Handed over to: \_\_\_\_\_  
 Name

\_\_\_\_\_  
 Signature Date

Handed over by: \_\_\_\_\_  
 Name

\_\_\_\_\_  
 Signature Date

**ATTACHMENT I-Disposal of Asset form**  
Disposal of Asset Form

REASON FOR DISPOSAL

**Donor Approval Required:**

YES     NO

Sold

Donation

Transfer

Lost

Returned to Donor

Stolen

Unservicabale

Other \_\_\_\_\_

Donor Approval Docs  
 Police Report  
 Insurance Report

Sales/Acceptance Doc.  
 Repair Estimate  
 Other

No	ITEM	Qty	Specification / Serial No / Model	FAROF Asset Number	Cost Center	Acquisition Date	Salvagable Value NGN	Condition; Used / Unservicable	Remarks
1									
2									

**ATTACHMENT J-Master Warehouse Ledger**

Field Office:

Warehouse:

**FAROF MASTER WAREHOUSE LEDGER**

Dates:

DATE	DN / WB NUMBER	GRN NO.	DONOR	TRANSPORT ID NO.	ORIGIN / DESTINATION	Commodity:				Commodity:				Commodity:				
						IN	OUT	BAL.	DAMAGED/ LOST	IN	OUT	BAL.	DAMAGED/ LOST	IN	OUT	BAL.	DAMAGED/ LOST	
					<b>BALANCE FORWARD (UNITS)</b>													

**ATTACHMENT K- UNIQUE INVENTORY ASSET FOR FAROF WITH CODE**



# Unique Inventory asset for FAROF with code

<b>Furniture &amp; Equipment Life =</b>	<b>10 yrs.</b>
<b>Computer &amp; Software Life =</b>	<b>5 yrs.</b>
<b>Motorized Equipment Life =</b>	<b>5 yrs.</b>
<b>Leasehold Life =</b>	<b>maximum 40 yrs.</b>

Each FAROF assets are categorized using a special Equipment ID Code Number to identify and/or describe its class, for example:

FAROF’s fixed assets, which meet the appropriate cost and useful life criteria (described in Definition of Fixed Asset Criteria in her policy) are grouped in the following categories:

**Equipment:**

Fixed Equipment-equipment affixed to the building, fume hoods, autoclaves and sterilizers, dormant scales, etc.; Moveable Equipment-office furniture, fixtures, and machines; window and plug-in air-conditioning units; electric water coolers, operating

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room equipment; major medical instruments and equipment; laundry equipment; cafeteria and kitchen equipment and furnishing; and vehicles licensed. Etc.

Code (Equipment Identification Code number)	Item Category (Description of Item)
111	<b>Digital/IT Assets</b> such as Computer accessories including antivirus, laptops, printer, photocopy machine, digital camera, phones, scanner, etc
112	<b>Furniture Assets</b> such as Cabinet, cupboard, Notice board, tables and chairs
113	<b>Electrical and Electronics Assets</b> such as Television, speakers, radio, fans,
114	<b>Motorized Asset such as Vehicles</b> including Autorickshaw, bikes, etc.
115	Kitchen assets
116	<b>Medical instruments Assets</b> such as ultra sound, scale, etc.
117	<b>Plumbing asset</b> such as toilet cistern, etc.
118	Laundry equipment

**Land:**

Onsite sewer and water lines, paving of driveways, parking and other areas, curbs, sidewalks, retaining walls, fences, signs and yard lighting, etc.;

Code (Land Identification Code number)	Item Category (Description of Item)
211	Lands
212	fences

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213	Retaining wall
214	Signage
215	Yard lighting

**Buildings (includes building components)**

<b>Code (Building Identification Code number)</b>	<b>Item Category (Description of Item)</b>
311	Window blinds
312	Doors
313	walls
314	floors
315	Window
316	stairways
317	skylights
318	roof
319	interior fixtures
320	fire escapes
321	storm sash
322	screens
323	Venetian blinds
324	linoleum and tile floor coverings
325	plumbing and sewage systems
326	heating systems

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327	ventilating systems
328	air conditioning systems
329	electrical fire protection systems
330	building elevators and service systems