

STOCKS AND WORK IN PROGRESS

Stocks are the holdings of goods and materials which have been purchased for Council use but which have not yet been consumed. Work in progress is the cost relating to incomplete jobs for which all or part of the income has not been received.

Stocks comprise the following categories:

- Goods or other assets purchased for resale.
- Consumable stores.
- Raw materials and components purchased for incorporation into products for sale.
- Products and services in intermediate stages of completion (work in progress).
- Finished goods.

Organisation of Stores

Stores may hold a variety of different types of stocks, some of which will be of a desirable nature. To help minimise the risk of theft or loss from stores the following procedures should be in place:

- Stock should be held in a secure location that allows access by authorised staff only.
- An officer should be delegated full responsibility for the efficient running and effectiveness of a store.
- Stock takes should occur periodically and all discrepancies with accompanying explanations should be reported to the budget holder and to the Director of Finance.
- Officers involved in the issue of stocks should have minimal involvement in the ordering and payment of new goods.

Operation of Stores

To ensure that stores are properly controlled there should be a sound stock control system. The system in use will depend upon the type of stocks but will have these features in common:

- be able to identify the number and value of stocks on hand;
- be used as the basis for stock takes, providing the expected number of stock items for checking to actual stores;
- require all goods to be entered onto them on receipt from the supplier; and
- require all goods issued from the stores to be authorised and recorded on them at the point of issue.

A minimum / maximum re-order level should be set which will help to ensure that:

- there are enough stocks on hand to ensure that jobs can be completed promptly;

- the level of stocks are not too high in relation to demand, which has the effect of tying up money unnecessarily and exposes the Council to the risk of the stock deteriorating so that it is not fit for purpose.

Stationery used to detail the issuing and returning of stock should be serially numbered.

Obsolete / Slow Moving Stock

Where slow moving, obsolete or surplus stock is identified, the main objective of the Council is to maximise income and minimise cost. To help achieve this, such stock should be disposed of by:

- competitive tender;
- quotations; or
- public auction

unless the Director in consultation with the Director of Finance decides otherwise in a particular case.

Whichever method of disposal is used, all of the documentation should be retained to support the transaction. Generally sales of second hand goods are subject to VAT at the standard rate, although there are exceptions.

Financial Year End

Every year at the financial year end (31 March), a balance sheet is produced within the Statement of Accounts, which includes a balance for stocks and work in progress.

The procedures to be followed as part of the accounts closedown timetable are as follows:

Stock Takes and Stock Certificates

Arrangements should be made to stock take at the financial year end (31 March) and produce the relevant stock certificates.

A certificate is required for each separately accounted for stockholding of goods and materials, except for the main Supplies Division stores. Financial Managers are responsible for ensuring that stock certificates have been issued for their area of responsibility.

The stock certificates must be printed on Derbyshire County Council headed paper and state the total amount of stock held at 31 March in monetary value, split between raw materials and consumables and finished goods and goods held for resale, the nature of the stock and the basis upon which the total value has been calculated (e.g. a pricing system or at cost or at average value, etc). They must include the signatures of the two staff carrying out the stock takes and should bear the signature of the Chief Officer.

The original stock certificate, together with a copy of the detailed stock sheets, should be forwarded to your Accountancy Representative (see key contacts) within a set deadline, usually within 1 – 2 weeks of the end of March.

It is important that all original costed stock sheets and work in progress calculations be retained on site for audit purposes.

Valuation of Stocks

The Accounting Code of Practice advises that stocks should be valued at cost less an allowance for any loss in value. The Council's accounting policy is that cost is calculated on an average basis. Sale price must not be used unless this is lower than the cost price.

Provisions for obsolete and slow moving stocks should reflect the difference between their book value and realisable value, calculated either on estimated sale or scrap proceeds, or on the likelihood of ultimate use.

Valuation of Work in Progress

All work in progress at the financial year end should be valued, where the amounts are substantial. A distinction should be made between internal and external clients. Ideally the value of work in progress should be based on an interim certificate as at 31 March or as close to 31 March as possible.

This interim certificate will detail the cost of work done between the last such certificate and the 31 March and will only include work which has not yet been invoiced. The work should not have been included on a previous debtors account or IDA and no income should have previously been received for the work.

The value of work in progress in the balance sheet will be its cost plus any profit which is reasonably attributable to the works.