



MINISTRY OF DEFENCE

# JSP 886 THE DEFENCE LOGISTICS SUPPORT CHAIN MANUAL

## VOLUME 4 MATERIEL ACCOUNTING

### PART 2 DEFENCE STOCKTAKING POLICY, PROCESSES AND PROCEDURES (STOCKS, FIXED ASSETS, CAPITAL SPARES AND GUIDED WEAPONS)

**THE MASTER VERSION OF JSP 886 IS PUBLISHED ON  
THE DEFENCE INTRANET.**

**FOR TECHNICAL REASONS, EXTERNAL LINKS ON THIS  
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**CHAPTER 1: INTRODUCTION TO DEFENCE STOCKTAKING POLICY, PROCESSES AND PROCEDURES (STOCKS, FIXED ASSETS, CAPITAL SPARES AND GUIDED WEAPONS)**

**PURPOSE**

1. The purpose of this instruction is to:
  - a. Introduce the subject of stocktaking including the aims and purposes in terms of meeting both business and Government Accounting requirements.
  - b. Identify the responsibilities of the organisations that have a role to play in the implementation of stocktaking policy, processes and procedures.
  - c. Describe the policy to be applied within the MOD.
  - d. Define the processes required to meet the policy.
  - e. Identify the detailed procedures that are designed to implement the stocktaking processes.
2. The stocktaking process is primarily a business tool and a materiel accounting function that provides a means of validating the accuracy of the quantities and locations of materiel maintained on the various account systems as required by Government Accounting 2000. In addition, stocktaking provides assurances on the accuracy of accounts in financial terms and supports the stock values contained in Departmental Resource Accounts (DRAc) as required for Resource Accounting and Budgeting (RAB).
3. Stocktaking is the physical counting, measuring or weighing of materiel held for comparison with appropriate accounting records and is to be applied to all materiel that is held on an account and recorded on the owners' balance sheet as Fixed Assets, Capital spares and for stock, whether identified as Permanent, Limited or Consumable (P, L, or C). This includes:
  - f. Appropriate materiel that is held on Business Unit (BU) and single-Service loan accounts, Articles-in-Use (A-in-U) accounts and main equipment Fixed Asset Registers (FAR). These accounts include RAF Inventories, RN Armament and Personal Loan Records (ALR and PLR) and any other records or accounts recording items that are included in the owner's balance sheet.
  - g. Appropriate materiel held in other parts of the MOD and by contractors.
4. The aim of stocktaking in the MOD is four-fold:
  - h. To provide assurance of reliable logistics support to meet operational tasks, by verifying the integrity of stocks, capital spares and guided weapons against records.
  - i. To verify the validity, completeness and accuracy of accounting records to demonstrate and provide adequate assurance regarding the validity of the stock balances in the DRAc.
  - j. To allow trends of discrepancies to be monitored to deter misappropriation and to indicate instances of possible theft and fraud.

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- k. To assure the stock, capital spares and guided weapons owner that their stockholdings are being properly safeguarded and accounted for by the custodians.
5. In addition to the above aims, stocktaking provides an effective management control that:
- l. Verifies the accuracy of stock and store location records.
  - m. Provides a measure of storekeeping effectiveness and accounting standards.
  - n. Identifies possible weaknesses in the system for the custody and control of materiel.
  - o. Provides assurances that stock is available for issue when needed.
  - p. Demonstrates public accountability.
6. The results of stocktaking progress and performance are reported annually to the National Audit Office (NAO) and are used to support stock values contained in departmental Balance Sheets. Any shortfall in progress or performance, or identified weaknesses in materiel accounting and stock control, is liable to attract censure by the Public Accounts Committee (PAC) and may result in the Accounting Officer being called upon to appear personally to explain and account for any shortcomings. Therefore, it is essential that stocktaking be properly undertaken in accordance with current policy, processes and procedures. Failure to do so, if proved to be due to negligence, could result in disciplinary action being taken against the individual(s) responsible.
7. The results of stocktaking also provide a valuable source of local management information and should be scrutinised to detect potential problems or weaknesses in specific store areas, certain ranges of stock items, or accounting procedures. When looked at with other performance indicators such as inability to issue and discrepancy report levels etc, stocktaking can provide useful information on, and promote improvements in, storekeeping effectiveness. This will also support the DE&S plan to reduce stock levels and improve visibility and accuracy whilst continuing to meet operational requirements.

### **OWNERSHIP AND POINTS OF CONTACT**

8. Formulation of policy on Materiel Accounting – Defence Stocktaking lies with the Deputy Head Support Chain Management – Support Chain Management Policy (DepHd DES JSC SCM-SCP<sub>ol</sub>) and is ratified by the Defence Logistic Policy Working Group (DLPWG). Enquiries concerning this document should be addressed to:

- a. Regarding the content to the policy Sponsor:

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### **GLOSSARY OF JOINT SUPPORT CHAIN TERMS**

2. A Glossary of Joint Support Chain terms is available at JSP 886 Volume 1 Part 1A.

### **LINKED PUBLICATIONS**

3. The following publications are linked to this instruction:
  - a. [JSP 472 – DFMS Resource Accounting Policy Manual](#).
  - b. Government Accounting 2000.
  - c. [JSP 440 – Defence Manual of Security](#).
  - d. BR 93 - Supply Department Checks and Controls.
  - e. [DefStan 05-99 - Managing Government Furnished Assets in Industry](#).

### **SUPERSEDED PUBLICATIONS**

4. The following publications are superseded by this instruction:
  - a. JSP 336 Volume 11, Part 3, Chapter 9 and Annexes A, B and C.
  - b. JSP 336 Volume 11, Part 5, Chapter 22.
  - c. JSP 336 Volume 12, Part 1, Pamphlet 5, Section 2 (All except Paragraph 206 - Managerial Examination).
  - d. JSP 336 Volume 13, Leaflet UG 2/1.

## **CHAPTER 2: RESPONSIBILITIES AND STOCKTAKING POLICY**

### **RESPONSIBILITIES**

1. **SCM.** Through the DES JSC SCM-SCP01-MatAcctg1 is responsible for:
  - a. Setting the policy for stocktaking procedures, performance standards and quality monitoring across Defence.
  - b. Ensuring that materiel accounting is compliant with the relevant statutory requirements.
  - c. Providing a copy of the annual stocktaking results to DE&S HQ Finance and Business Planning (F&BP).
  - d. Arranging an agreement with Defence Analytical Services Agency (DASA) for the analysis of stocktaking results for items subjected to stocktaking only once during the cycle.
  - e. Validating the information provided by the custodian for accuracy and analysing the figures to assess the performance of the custodian, instigating remedial action if required.
2. **Director General (DG) F&BP.** DG F&BP is responsible for the policy regarding the RAB requirements of stocktaking to meet the NAO's end of year requirements.
3. **Stock Owner.** For the purpose of this paper a Stock Owner is defined as a Management Group that has its own General Ledger and Balance Sheet. Principal owners within the MOD are DE&S, DPA and HQ LAND. It is the responsibility of each Stock Owner to ensure that custodians of stock are aware of the stocktaking requirements contained in this instruction by including the requirement for compliance within Customer Service Agreements (CSA) and all other similar agreements between the Stock Owner and Custodians.
4. **Stock Custodian.** The Stock Custodian is to:
  - a. Agree with each Stock Owner a suitable stocktaking programme which fully complies with the policy and is based on the frequency of count identified in Annex A to this Chapter.
  - b. Submit a copy of the annual stocktaking programme report to the DES JSC SCM-SCP01-MatAcctg1.
  - c. Ensure that the prices used in the valuation of stock for stocktaking purposes are accurate and verifiable and in line with the prices on each Stock Owner's Central Price Record.
  - d. Conduct the agreed stocktaking programme (as per the Customer Supplier Agreement (CSA)) to time and quality.
  - e. Ensure the procedures for discrepancy reconciliation and resolution are adhered to.
  - f. Maintain an adequate stocktaking audit trail.

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- g. Report to the DES JSC SCM-SCP<sub>ol</sub>-MatAcctg1, bi-annually, on progress against the stocktaking programme.
- h. Provide the DES JSC SCM-SCP<sub>ol</sub>-MatAcctg1 with a copy of the annual stocktaking results in time for the submission of the Departmental Resource Account (DRAc).
- i. Provide the sampling information to the DES JSC SCM-SCP<sub>ol</sub>-MatAcctg1 to confirm the materiality of the 70% coverage threshold as detailed in Annex B to this Chapter. DASA analysis results will be reviewed by DG F&BP and the DES JSC SCM-SCP<sub>ol</sub>-MatAcctg1 who will advise if remedial action and/or financial adjustment is required.

### **POLICY**

- 5. All stocks, fixed assets, capital spares and guided weapons, including Articles in Use (A inU), Government Furnished Equipment (GFE)/Assets in Industry (All) and loan account items listed on the Management Grouping Balance Sheet, catalogued or not, owned by the MOD on main, subsidiary or manual accounts is to be subject to stocktaking.
- 6. The policy to be applied within the MOD is based on the guidance contained in JSP 472, and Government Accounting 2000. The absolute minimum to be achieved by the MOD during a full 4-year stocktaking cycle is:
  - a. Annual verification of items categorised as high risk, ie attractive, classified, Attractive to Criminal and Terrorist Organisations (ACTO) - formerly Useful to the Ill Disposed (UID), hazardous, items with explosive content, prone to error and nominated by management. Categories of items and frequency of count are identified in Annex A to this Chapter.
  - b. A proportion of the remaining inventory to ensure that the total value checked each year is a minimum of 70% of the total value of stocks held, with greater levels of count where resources permit.
  - c. Every line item is to be checked at least once every 4 years.
  - d. The maximum acceptable value discrepancy level is 2% net of the value of the stock counted.
  - e. The maximum acceptable item discrepancy level is 10% of the number of lines counted.
  - f. Stock in transit, ie physically issued, in course of supply and recorded as dues-in but not yet received, is not subject to stocktaking.
- 7. Within the stocktaking programme, verification of all stockholding sites, including agencies and contractors where the stock is still owned by the MOD is to be made, as well as locations/sites in other parts of the MOD.
- 8. Wherever possible, stocktaking is to be undertaken by personnel independent of the storekeeping and stock accounting functions. A minimum requirement is that the physical check and the reconciliation processes are to be undertaken by separate individuals.

### **IMPLEMENTATION OF POLICY**

9. Policy, and any change, is to be implemented through Customer Supplier Agreements, Business Agreements, Service Level Agreements, Tasking Statements, Contracts or other formal agreements between the *Stock Owner(s)* and the custodian authorities.

### **DISPENSATION**

10. Where full compliance with the policy is not possible or not considered practicable a request for dispensation may be submitted to DES JSC SCM-SCPol-MatAcctg1 for consideration. This dispensation request is to be a formal application submitted via the appropriate chain of command and must be supported by a statistically validated submission including a proposed programme covering the period of the cycle and proposed procedure. ACTO, Attractive and Security Classified items will not normally be included in any dispensation. Such dispensations will be for a specific period and a further application will have to be submitted for a continuation or revised proposal.

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### ANNEX A TO VOL 4 PART 2 CHAPTER 2: ITEM CATEGORIES AND FREQUENCY OF ITEM COUNT

(Introduced at Paragraph 4)

Category	Type of Item	Definition	Min Freq of Count
1	Attractive to Criminal and Terrorist Organisations (ACTO)	Items identified on supply systems that are considered useful to ill-disposed persons such as criminals and terrorists eg munitions, explosives, firearms, ammunition, dangerous drugs, poisons and unfilled and/or munitions related stores.	Annual
2	Attractive	Items particularly liable to pilferage or misuse because of their intrinsic value and/or the fact that they are portable and have a ready commercial or domestic use, eg motor transport spares, precious metals, clothing and fuel.	Annual
3	Security Classified	Items that have been afforded a security classification in accordance with Departmental security regulations.	Annual
4	Nominated by Management	Items specifically selected by management for special <i>stocktaking</i> attention, eg dangerous, hazardous, percentage most active, supply critical, locally attractive or prone to discrepancy, and higher value <i>stockholdings</i> .	Annual
*5	Cyclical	All items not counted annually, such that the total value of items not checked in year is either not material in relation to the total value of <i>stock</i> held, or is not likely to be materially affected by the prevailing <i>stocktaking</i> discrepancy rate.	At least once during the cycle

1. When added to the value of *stock* held for Categories 1 to 4 the value of *stock* targeted in this Category is to be sufficient to ensure that the total value targeted for stocktake each year is a minimum of 70% of the total inventory value held. Where the value of the *stock* held for Categories 1 to 4 exceeds 70% one quarter of the items or value should be targeted to ensure that all items are stocktaken at least once during the period of the cycle and not left until the final year. Stocktakes for items in this Category will be used to provide sample data to be used in the DASA analysis (see Paragraph 4i and Annex B to this Chapter).

**ANNEX B TO VOL 4 PART 2 CHAPTER 2: ANNUAL SAMPLING FOR VERIFICATION BY DASA**

(Introduced at Paragraph 4)

**SUMMARY**

1. Under analysis DASA has found non-coverage, during annual *stocktaking*, was a negligible source of error on the balance sheet. However, it was recommended that an extended sample of individual item checks should be analysed on a regular basis, to check that this remains so. If wider differences emerge, the sample can be used to generate a Balance-Sheet adjustment, this being a more economic means of achieving close accuracy than extensions to *stocktaking*.

**SAMPLE**

2. The DES JSC SCM-SCPoi-MatAcctg1 will co-ordinate gathering of sample item *stock* checks as agreed with DASA. The number of items to be included in the sample is to be based on the size, value and location of cyclic *stock* items as compared with the total stockholdings. The DES JSC SCM-SCPoi-MatAcctg1 will task appropriate areas to gather the required sample.

## **CHAPTER 3: STOCKTAKING PROCESSES**

### **PROCESS**

1. As part of a rolling 4-year cyclic stocktaking programme an annual programme is to be raised and available for scrutiny. In compiling the annual programme note is to be taken of the frequency of count required for items as identified in Annex A to Chapter 2.
2. There are two acceptable methods of stocktaking and custodians are to determine which is the more suitable to meet both the business and Government Accounting requirements. These methods are:
  - a. **Stock Number.** For each stock number, the custodian is to arrange for all dispersed locations to be counted at the same time to arrive at a total figure that can be compared with the main stock account quantity to determine whether any discrepancies need investigation and/or adjustment. For this method it is necessary for a Stock Location Check (see Chapter 4, Paragraphs 48 to 52) to be performed.
  - b. **Stock Location.** The count is confined to a specific stock location and includes all stock numbers with stock recorded in that location. These results are compared with the 'Stock Location Record' and, following reconciliation, discrepancies between the quantity found and the quantities recorded on that record and/or the main stock account are to be investigated and/or adjusted as necessary. This is the preferred method, in particular where there are larger stockholdings and where stock is held in multiple storage areas, such as Depot and Secondary Depot but can also be applied at Front Line Commands (FLCs). For this method a separate Stock Location Check is not required. Furthermore, where this method is performed utilising a system other than a recognised main accounting system (eg Warehouse Management System (WMS)) a quarterly 'Reconciliation Exercise' comparing the WMS and the main account is to be carried out (see Chapter 4, Paragraphs 53 to 57).
3. In some circumstances custodians may wish to dispense with the 4-year stocktaking cycle in favour of one lasting two or 3 years. However, this must be authorised in advance as an official dispensation issued by DES JSC SCM-SCP<sub>ol</sub>-MatAcctg1 on receipt of a formal application as described in Chapter 2 Paragraph 10. Official dispensations may also be authorised for digression from other policy requirements.
4. In some circumstances a stocktake of the full inventory/stockholding may not be cost effective or efficient. Random Statistical Sampling (RSS) is a possible alternative. However, dispensation for RSS can only be granted on application to DES JSC SCM-SCP<sub>ol</sub>-MatAcctg1. Such applications are to be supported by a statistically validated submission and procedure.
5. Where items are subject to regular and routine musters, inspection, test checking, maintenance/security/safety checks and a comparison between the stock quantity found and the account stock balance is included, the operation can be considered as a stocktake and included in the record of stocktaking achieved during the year. However, a complete and fully auditable record is to be maintained to support the Annual Stocktaking Report. Documentary evidence is to be retained in accordance with Paragraph 9 to this Chapter.
6. There are other reasons for performing stocktakes outside of the annual programme

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most of which can be used to meet the annual and cycle target requirements. These include:

a. **Investigative Stocktakes.** These can be used to meet the programme requirement and can be initiated for a variety of reasons. The main reasons for them to be conducted are:

- (1) Where a loss has occurred, or is suspected, as a result of criminal activity, negligence, fire, flooding, leakage etc, all suspect materiel is to be counted, and any discrepancies investigated. However, any confirmed deficiencies are to be treated as losses and processed accordingly, surpluses are to be adjusted through stocktaking but full audit trails linking surpluses to losses are to be maintained (see Paragraph 14 to this Chapter).
- (2) When there is an inability to issue stock or an incorrect balance has been identified in one location when stock is held in further locations.
- (3) When one stocktake reveals a potential discrepancy on another item or location.
- (4) When storekeeping effectiveness, as measured by the results of stocktaking and other indicators, is deteriorating.
- (5) When a specific accounting error outside the current financial year has occurred.
- (6) When there are inaccuracies in, or improper conduct of, previous stocktakes.
- (7) When an area is identified as prone to error.
- (8) When a discrepancy report from a consignee indicates that the stock held does not equate to the recorded stock balance.
- (9) When there is a possibility that stock has been incorrectly identified.
- (10) When stock has been mislocated.
- (11) At management request. This includes programmes of inspections or other managerial controls that incorporate a physical count of stocks and a comparison of the results with the account balance.

b. **Management Snap Checks.** In order to assess the effectiveness and efficiency of cycle stocktaking, local management is to institute monthly snap checks. The check is to include a stocktake of a minimum of 10 items selected at random and results of stocktakes are to be vetted by local management to identify:

- (1) Areas of weakness in storekeeping or stores accounting.
- (2) Inaccuracies in or improper conduct of previous stocktakes.
- (3) Areas prone to error.

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Where areas of weakness or discrepancies are identified, local management is to institute remedial action and report details in the Annual Stocktaking Certificate. Areas identified as prone to error are to be included in subsequent checks. The results of these stocktakes can be used to count towards the stocktaking programme.

- c. **Audit Sample Stocktakes.** Officers of the NAO, HQ DE&S F & BP, SCS and Stock Owners' nominated representatives may request stocktakes in their presence. These officers are also empowered to undertake investigative stocktakes themselves, in the presence of the custodian, to test the adequacy of departmental procedures. Where areas of weakness or discrepancies are identified, local management is to institute remedial action and report the situation to the appropriate HQ Branch. The results of these stocktakes can be used to count towards the stocktaking programme.
- d. **Handover Stocktakes.** When there is a change of storekeeper there is to be a mandatory count of all Category 1, 2 and 3 items by the incoming and outgoing storekeepers. At the discretion of the incoming storekeeper, a selection of the remaining stock should also be stocktaken. The results of these stocktakes can be used to count towards the stocktaking programme.
- e. **Articles-in-Use (A in U) and Fixed Asset Register (FAR) Musters/Census.** To meet financial and Resource Accounting requirements it is necessary for materiel that is held on A in U, loan account or FAR and recorded on the owners' balance sheet as stock, capital spares or Fixed Assets to be subject to a physical check against the account FAR. This is normally achieved by the owner producing annually a list of each unit's holdings for physical and account verification. The results of these checks can be used to count towards the stocktaking programme (see Chapter 4 Paragraphs 58 to 64 for procedures).
- f. **Re-performance Stocktakes.** In order to ensure standards of stocktaking are accurate a system of re-performance checks is to be implemented for all programmed stocktaking. A minimum of 2% of the original stock lines counted during the annual programme is to be subject to re-performance checks, and a record of the checks maintained (see Chapter 4 Paragraphs 16 to 19). Re-performance checks are to be carried out by individuals independent of the original stocktakers. Custodians are responsible for corrective action where problems are identified. The results of these stocktakes cannot be used to count towards the stocktaking programme as they will already have been reported under the programmed stocktakes.

Note: Where a single item is counted more than once during one year the value of stock held can only be included once to calculate the value of stock counted in year included in the Annual Stocktaking Report.

7. Stock being transferred or subject to relocation within or between stockholding units is to be counted out. When a transfer is between two or more different stockholding units the stock is also to be counted into the receiving store. This count can be used to meet the annual and cycle requirement when a full auditable record and/or documentary evidence is retained.

8. Wherever possible the stocktaking process for items maintained on an electronic account is to be a fully auditable automated process with electronic signature and

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supported by system generated reports. However, where this is not the case a fully auditable manual record is to be maintained.

9. All auditable records and documentation produced for stocktaking are to be retained together with the details of corrective and remedial action taken. The records are to be maintained within a system that provides a clear trail from the original stocktaking programme, through proof of count and reconciliation to final report. Documentation is to be retained to ensure that current cycle records and those of the previously completed cycle are available for investigation purposes. Where dispensations have been authorised current and previous completed cycle records are to be retained plus any additional documentation to ensure that a minimum of 5 years stocktaking records is available.

10. Comprehensive physical stock checks are normally required, but estimating, measuring or weighing can be used where these result in stock levels being checked to an appropriate level of accuracy but more economically. However, where other than physical checking has been used the level of accuracy must be proven. Estimating is normally only appropriate for high volume-low value stock and is not to be used as an expedient, eg where stock locations are not readily accessible. Where the estimate differs from the stock balance by more than 20% of its volume or is estimated to be in excess of £250 a full count is to be initiated.

11. For item stocktaking a full item count and investigation of Major discrepancies (see Chapter 4 Paragraph 22) must always precede an account adjustment. For stocktaking by location a full count of the quantity held in the location and investigation of Major discrepancies (see Chapter 4 Paragraph 22) must precede any adjustment. A full count is the process of carrying out a physical count and a check of any pipeline transactions (ie those activities that involve the processing of a transaction or the picking/putting away of stock that would affect either the stock balance or the quantity physically held).

12. Offsetting of surpluses and deficiencies is permissible in limited circumstances and within a single financial year:

- a. Where there is a single owner.
- b. Where there is a proven link between the items, and
- c. Items are of the same description with only minor differences in attributes.

Offsetting is not permissible for security-classified items or where formal write-off action has been taken previously. Where offsetting has taken place it is to be fully documented and the documentation retained as part of the audit trail. Where there is any uncertainty, DES JSC SCM-SCPol-MatAcctg1 is to be consulted.

13. Any discrepancy not caused by theft, fraud or negligence is to be recorded with a reason code to enable trends or system weaknesses to be identified (see Annex G to Chapter 4).

14. Deficiencies revealed at stocktaking where there is culpability, ie those attributable to suspected or confirmed loss, through theft, fraud or negligence, are to be processed as Materiel Losses in accordance with instructions contained elsewhere within JSP 886 (see Paragraph 6a(1)).

15. All reconciliation activity must be completed within 2 months of the item/location stock count being carried out and no unresolved discrepancies are to be carried over into the

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next financial year. Unless theft, fraud or negligence is suspected discrepancies below £250 need not be investigated (excluding items categorised as ACTO, security classified Confidential or above, valuable or attractive, Management Nominated or Hazardous for which a full investigation is to be carried out).

16. Following reconciliation and investigation any discrepancy resulting in an adjustment to the account balance is to be recorded and used to calculate final Item and Value Discrepancy Error Rates (DERs).

17. Pre-packaged equipment is not to be opened for stocktaking unless the packages are damaged, or there is reason to suspect tampering. The quantities on the packages are to be accepted as correct. The marked contents of other unbroken packages, which show no signs of having been tampered with or are undamaged, are also to be accepted as correct. However, as 'best practice' during a Management Snap Check and at local management discretion, a small number of packages may be opened and the contents verified for quality and quantity.

## **CHAPTER 4: STOCKTAKING PROCEDURES**

### **ROLES AND RESPONSIBILITIES**

1. Owing to the variety of custodians, and to assist in the separation of duties/levels of independence required, the following roles have been identified to assist in the allocation of tasks within the various stockholding points:

- a. **Stocktaking Control Office(r) (SCO).** Every stockholding unit is to have an SCO independent from the day to day storekeeping activities and who is tasked as being responsible for overseeing the stocktaking task. The SCO is responsible for compiling a programme, monitoring and maintaining progress against the programme, maintaining registers and the submission of six-monthly and annual reports to the appropriate authorities. The SCO is also responsible for overseeing the Management Snap Checks and is to compile a local programme identifying the individual who has to perform the check and the area to be checked.
- b. **Stocktaker/Stock Counter.** The Stocktaker/Stock Counter would ideally be a member of an independent stocktaking team responsible for the physical count of stock and the recording of results on the system through the SCO. Where this is not possible it is acceptable for a member of the storekeeping staff to be given the appropriate authorisation to fulfil this role where separate individuals perform the Reconciler and Adjustment Authoriser roles. An individual performing a Management Snap Check will also perform this role.
- c. **Reconciler.** The Reconciler has to be independent of the original stocktaker/stock counter and day to day storekeeping activities and is responsible for investigation of discrepancies between stock found and the stock recorded and may also have limited powers to authorise adjustments. Ideally the reconciler would report directly to the SCO. However, this may not be practical in all circumstances and a dispensation would have to be sought and agreed in accordance with Chapter 3 Paragraph 3.
- d. **Adjustment Authoriser.** The Adjustment Authoriser is to have the authority to approve adjustment of stocktaking discrepancies on both the account and the warehouse system. Powers are based on experience and grade. He/she must be independent of the day to day storekeeping activities and ideally report direct to the SCO.

### **STOCKTAKING PROGRAMME**

2. On 01 Apr each year the SCO responsible for maintaining programmes and monitoring progress against programmes is to agree with individual stockholding areas a listing of items/locations targeted for count during the year. These listings are to identify categories of items/locations and the value of stock held for those items/locations and, ideally, should be system generated. In compiling the programme particular emphasis is to be paid to the mandatory annual categories identified in Annex A to Chapter 2 and the local programmes are to demonstrate that all mandatory annual count items are to be addressed during the year. A programme of monthly Management Snap Checks should also be drawn up identifying the responsible officer, the area to be checked and the month during which the check is to be performed.

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3. Each stockholding unit is to forward a summary of the stocktaking programme to the appropriate HQ in the format of Annex A to this Chapter.
4. Each HQ is to collate the Annex A summaries into the report at Annex B to this Chapter for submission to each stock owner and copied to DES JSC SCM-SCPol-MatAcctg1.
5. DES JSC SCM-SCPol-MatAcctg1 will collate the data from Annex B to this Chapter to compile a DE&S report for HQ DE&S F&BP and other interested authorities.

### **STOCKTAKING REGISTERS**

6. Stocktaking registers are to be maintained to record the progress on stocktaking count listings from date of production to completion of count, reconciliation and adjustments where appropriate. Where systems do not automatically produce registers the SCO is to arrange for PC or manual registers to be maintained.
7. The detail recorded in stocktaking registers provides the essential information required in the compilation of six-monthly and annual stocktaking reports. In this context, the essential data to be recorded in registers is shown in Annex C. Where systems do not maintain stocktaking registers it is recommended that an electronic register is maintained as it provides a means of generating management information. Where electronic registers cannot be maintained a manual record containing the detail at Annex C is to be maintained.
8. Programmed stocktaking count lists are to be produced as required by the SCO. System generated count listings should be used where possible and should not include the quantity of stock expected. When hard copy listings are produced a second copy should be retained as a back up. There should be minimal delay between date of production of lists and date of count to avoid the possibility of changes to account balances or to avoid lengthy periods of system restrictions on the items listed.
9. In order that all stocktaking activity is recorded and reported stocktaking count lists are also required for the non-programmed stocktakes identified in Chapter 3 Paragraph 6a to f. These are to be co-ordinated through the SCO who is to ensure they are registered in the same way as programmed stocktakes.

### **STOCKTAKING COUNT**

10. With the exception of bulk fuel stocktaking count lists are to be passed to the stocktaker/stock counter who is to perform the count. The count is complete when a physical check of the quantities of stock held and a check of outstanding transactions has been completed (ie those activities that involve the processing of a transaction or the picking/putting away of stock that would affect either the stock balance or the quantity physically held).
11. For bulk fuel, monthly dips are to be recorded on Annex D. At the end of the year the results of the final dip are to be used to form the end of year stocktaking result. Any discrepancy is to be recorded, investigated, and the account adjusted in accordance with single Service fuel accounting regulations. One sheet is to be maintained for each installation/tank and/or each type of fuel.

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12. The stocktaker is to record the result of the count plus detail of any transactions that affect the stock balance, together with the date it took place. This could be on electronic media or on hard copy documentation.
13. The result of the count, taking into consideration any quantities recorded in pipeline transactions, is to be compared with the system balance. Any discrepancy between the two is to be recorded on electronic media or the stocktaking documentation as appropriate.
14. On completion of the count, where there is no electronic signature identifying the stocktaker and the date completed, or where there is no other documentary evidence, the Count Complete Report at Annex E is to be completed for retention with related stocktaking documentation.
15. In addition to verifying the accuracy of the stock records, the stocktake provides an opportunity to check other elements of storekeeping and, if warranted, report findings to senior store and office management. Any observations are to be recorded and reported to the SCO in the format of Annex F and should include weaknesses in such things as:
  - a. Accessibility.
  - b. Quality of packaging.
  - c. Identification and labelling.
  - d. Environment.
  - e. Backlog of transaction processing.

### **RE-PERFORMANCE CHECKS**

16. Re-performance checks are to be undertaken by the SCO or a representative independent of the original stocktaker/stock counter and a minimum of 2% of the original stock counts are to be checked within 5 working days of the original count. For stocktaking by location one out of every 50 locations is to be checked. It is emphasised that individuals responsible for the re-performance check are to carry out the physical count and not delegate it to any accompanying stores staff.
17. Re-performance checks are to be recorded in the stocktaking register to allow the generation of management information to demonstrate the percentage achieved.
18. Any differences between the original count and the re-performance check are to be investigated to determine whether there is a discrepancy or whether one of the counts was incorrectly recorded/reported. Any observations regarding the standards of counting that need to be reported are to be submitted to the SCO on Annex F to this Chapter.
19. Discrepancies arising from re-performance checks are to be reconciled by staff other than those performing the original count.

### **STOCKTAKING DISCREPANCY**

20. A stocktaking discrepancy is a difference between the physical stock count and the system stock record, including materiel condition, which is not attributable to theft, fraud, criminal activity or culpable negligence.

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21. Any stocktaking deficiency found, during investigation, to be attributable to theft, fraud, criminal activity or culpable negligence is to be cancelled and reported in accordance with Loss procedures. The stocktaking count detail is to be included in the annual stocktaking report but the discrepancy adjustment is not.

22. Stocktaking discrepancies are split into two levels:

a. **Major:**

(1) Where the total value of the discrepancy (quantity discrepant multiplied by basic item price) is equal to or greater than £250 for a single line item (unless a higher value is agreed as a dispensation in accordance Chapter 3 Paragraph 3).

(2) Where a discrepancy occurs, irrespective of value, on an item that is identified as:

- (a) Attractive.
- (b) ACTO.
- (c) Security Classified (Confidential and above).
- (d) Hazardous.
- (e) Radioactive.
- (f) Supply critical.

b. **Minor.** Any discrepancy where the total value of the discrepancy (quantity discrepant multiplied by basic item price) is less than £250 for a single line item (excluding those identified at Paragraph 22a (2) or where a dispensation increasing this value threshold has been agreed in accordance Chapter 3 Paragraph 3).

23. The level of investigation is dependent on the value and nature of the item and the following is to apply:

a. Maximum investigation is required for major stocktaking discrepancies of items identified in Paragraph 22a (2) and any with a line item value greater than £1000.

b. Minimum investigation is required for all other major stocktaking discrepancies where the line item value is between £250 and £1000.

c. Investigation of minor stocktaking discrepancies is not required. However, minimum levels may be applied locally if monitoring procedures indicate that the number of reported discrepancies has reached a level that warrants some investigation.

24. Deficiencies on materiel identified as ACTO, classified Confidential and above, all weapons and ammunition, all explosives, dutiable materiel and controlled drugs that are not directly attributable to accounting errors are to be reported without delay to the authorities identified in JSP 440 Part 7, Chapter 7, Chapter 1, Paragraph 41.

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25. For monitoring and trend analysis and where there is no system maintained record the SCO is to maintain an electronic or a manual register of major stocktaking discrepancies. The minimum detail required is identified at Annex G.
26. The Reconciler is to initiate the investigating of major stocktaking discrepancies ensuring that the appropriate level of investigation is afforded based on the line item value and nature of the item concerned.
27. The detail and outcome of investigations of major stocktaking discrepancies are to be recorded to demonstrate that the appropriate checks have been carried out. The Investigation Form at Annex H is to be used as a template for recording investigations and outcome.
28. On completion of investigations one of the following actions will be necessary:
  - a. For all confirmed discrepancies (ie all cases where a transaction increasing or decreasing the account balance is required) an application for an account adjustment is to be submitted via the SCO to the appropriate adjustment authorising officer as advised in Annex I, CSAs or locally agreed authorisation limits.
  - b. For completely reconciled discrepancies (ie where a transaction increasing or decreasing the account balance is not required) the SCO is to be notified that the discrepancy has been resolved and cancelled.

In all cases the appropriate reason for discrepancy code or **cancelled discrepancy code**, from those listed on Annex G, is to be entered on Annex H and forwarded to the SCO.

### STOCKTAKING ACCOUNT ADJUSTMENTS

29. Where adjustments are made for minor stocktaking discrepancies that do not require investigation, and there is no record maintained on the system, lists of minor stocktaking discrepancy adjustments including transaction/voucher numbers are to be forwarded to the SCO. Although it is not necessary for the SCO to record minor discrepancies individually the summary data is to be recorded in the stocktaking register and listings are to be retained with associated stocktaking count lists.
30. The SCO will receive, in either electronic or hard copy, the completed Annex H and is to update the Discrepancy Register with the appropriate results.
31. All confirmed stocktaking discrepancies are to be authorised for adjustment at the appropriate level. Attached at Annex I is guidance on financial limits that should be applied where practical when authorising stocktaking adjustments. Where it is not possible to impose these limits owing to individual unit or operational circumstances it is recommended that the SCO compiles and maintains a local list of officers empowered to authorise stocktaking adjustments and their authorisation limits.
32. Officers empowered to authorise adjustment are to assess the record of investigations for completeness and suitability and complete Annex H Part 2 Chapter A or B.
33. Where the discrepancy has been resolved SCO is to complete Annex H Part 2 Chapter B Paragraph 1 and record the cancellation details in the Stocktaking Discrepancy Register.

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34. Where further investigation is required Annex H Part 2 Chapter A is to be completed and the Annex returned to the Reconciler.
35. Where the discrepancy is confirmed and the adjustment authoriser is satisfied that no further investigation is appropriate Annex H Part 2 Chapter B Paragraphs 2 to 5 are to be completed as necessary, the account is to be adjusted and the transaction/voucher number recorded in the box provided.
36. Where a system-maintained record is not available the SCO is to retain an electronic and/or manual record of all stocktaking source documentation. This should provide access to a fully auditable trail from identification of programme, registers, count, investigation of discrepancies, adjustment of account through to reports to higher authority.
37. Where the value of the stocktaking adjustment exceeds £100K, copies of the documentation are to be forwarded to the Stock Owner via the appropriate Command HQ.
38. The Command HQ is to maintain a register of all adjustments where the value exceeds £100K in the format at Annex G.

### **STOCKTAKING REPORTS**

39. All stockholding units are to submit stocktaking progress and performance reports, and/or certificates, at the interim and annual reporting periods. These reports are to cover stocktaking periods from 01 Apr - 31 Dec (first 9 months – interim period) and 01 Apr - 31 Mar (complete year – annual period) and are to be sent no later than one calendar month after the end of each reporting period to the appropriate Command HQ.
40. Each Command HQ is to collate the reports and forward a summary, in the same format, to each stock owner, copied to DES JSC SCM-SCPol-MatAcctg1.

### **INTERIM CERTIFICATION AND REPORT 01 APR – 31 DEC**

41. For the interim period between 01 Apr and 31 Dec each year all stockholding units are to complete the report at Annex J along with the certificate at Annex K and, when signed by the commanding officer, submit to the appropriate Command HQ by 29 Jan each year.
42. Front Line Commands (FLCs) that do not have access to electronically generated statistical reports need not complete Annex J. However, the Interim Stocktaking Progress and Performance Certificate at Annex K is to be completed along with the Unit Interim Stocktaking Progress Summary at Annex L. When signed by the Commanding Officer, both reports are to be submitted to the appropriate Command HQ by 29 Jan each year.
43. If a single Command HQ is in receipt of a mixture of Annexes K and L they are to submit summaries for each Annex and should highlight any problem areas in a supporting letter to the stock owner(s), copy to DES JSC SCM-SCPol-MatAcctg1 by 12 Feb each year.

### **ANNUAL STOCKTAKING REPORT 01 APR - 31 MAR**

44. All stockholding units are to complete Annex J with detail of stocktaking progress and performance for the entire year and the certificate at Annex M and, when signed by the Commanding Officer, submit to the appropriate Command HQ by 24 Apr each year. Only completed stocktakes are to be reported in the Annual Certificate. A stocktake is not

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considered complete until all count, discrepancy investigation and adjustment/cancellation has occurred and there are no further actions required.

45. Each Command HQ is to collate the reports and forward a summary, in the same format, to each stock owner and copy to DES JSC SCM-SCP01-MatAcctg1 by 15 May each year. The Command HQ is to include a copy of the register of all adjustments where the value exceeds £100K (see Paragraph 38 above).

46. The reporting chain for stocktaking progress and performance reports is contained in Annex N.

### CALCULATING STOCKTAKING DISCREPANCY ERROR RATES

47. Stocktaking DERs are to be based on numbers of items counted and the numbers and values of adjustments made. The following paragraphs identify the formulae for calculating error rates for each method of stocktaking:

a. **Item Stocktaking Value Error Rates.** The value of all stocktaking completed during the year, Programmed and Non-Programmed (excluding Re-performance Checks, see Chapter 3 Paragraph 6 (including Footnote) and Paragraph 44 to this Chapter.), can be used to calculate the value error rate as follows:

$$\frac{\text{Value of Surplus adjustments} - \text{Value of Deficiency adjustments}}{\text{Total value of the stock actually counted}} \times 100$$

b. **Item Stocktaking Discrepancy Error Rates.** The total number of items for which the stocktakes have been completed during the year, Programmed or Non-Programmed (excluding Re-performance Checks, see Chapter 3 Paragraph 6 (including Footnote) and Paragraph 44 to this Chapter), can be used to calculate the item value error rate as follows:

$$\frac{\text{Number of Surplus adjustments} + \text{the Number of Deficiency adjustments}}{\text{Total number of items actually counted}} \times 100$$

c. **Stocktaking By Location Value Error Rates.** The value of all stocktaking completed during the year, Programmed and Non Programmed (excluding Re-performance Checks, see Chapter 3 Paragraph 6 (including Footnote) and Paragraph 44 to this Chapter), can be used to calculate the value error rate as follows:

$$\frac{\text{Value of Surplus adjustments} - \text{the Value of Deficiency adjustments}}{\text{Total value of the stock actually counted}} \times 100$$

d. **Stocktaking by Location Item Error Rates.** When Stocktaking by location is adopted an item is defined as a single stock number with a quantity of stock in a location; eg if there is stock held for 10 different stock numbers in a location this equates to 10 items. It is conceivable that there may be stock against the same stock numbers in other locations within the same warehouse and each of those would be identified as individual items. The number of items for which all stocktaking activity has been completed during the year, Programmed and Non-Programmed (excluding Re-performance Checks, see Chapter 3 Paragraph 6 (including Footnote) and Paragraph 44 to this Chapter), can be used to calculate the item error rate as follows:

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$$\frac{\text{Number of Surplus adjustments + the Number of Deficiency adjustments}}{\text{Total number of items actually counted}} \times 100$$

### STOCK LOCATION CHECK (SLC)

48. For warehouses performing item stocktaking it is essential that a SLC is also performed during the cycle. The purpose of this check is to confirm that all stock recorded as being in a location is physically there and to identify possible discrepancies for items physically held in a location but not recorded on the account that would otherwise be overlooked. SLC is not a count of the quantity of stock held.

49. The SCO is to compile a programme of stock location checks to demonstrate that all locations will be sequentially checked during the cycle. A copy of the programme is to be forwarded to the Command HQ.

50. The SCO is to generate a list of stock numbers held in a location or range of locations to be checked, pass the list to the stocktaker who is to confirm that stock of those stock numbers is physically held in the recorded location. It is not necessary to perform a full count of the stock items listed.

51. If discrepancies are identified ie additional stock numbers held or no stock of a listed stock number found, the list is to be annotated accordingly.

52. On completion of a check of a location or range of locations the list is to be forwarded to the SCO to maintain an auditable record of SLC progress and performance. If discrepancies are identified ie item listed but not found or item found but not listed, SCO is to initiate a full item count in the form of an investigative stocktake. All investigative stocktakes are to be recorded in the stocktaking register.

### WAREHOUSE MANAGEMENT SYSTEM (WMS) & ACCOUNT RECONCILIATION

53. Where stocktaking by location is the preferred option and performed utilising a WMS rather than the main account there is to be a quarterly **reconciliation** of the records held on WMS and the account to identify:

- a. Items on WMS but not on the main account.
- b. Items on the main account but not on the WMS.
- c. Items on both the WMS and main account but with different stock balances.

54. The format and content of the listings is to be agreed locally but, as a guide, the following data is considered essential:

- a. NSN, Item Price, Quantity held, Location(s), Discrepancy Value (Item price x quantity held).
- b. NSN, Item Price, Quantity held, Location(s), Discrepancy Value (Item price x quantity held).
- c. NSN, Item Price, Quantity held on WMS, Location(s), Quantity held on Account, Discrepancy Quantity (Qty on Account minus Qty on WMS) and Discrepancy Value (Discrepancy Qty x the Item Price).

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55. All of the discrepancies identified in the listings are to be investigated and, where appropriate, adjustments made to the WMS or the account in accordance with Paragraphs 20 to 38.

56. Summary details of the number of line entries and the values of surpluses and deficiencies, segregated into stock owners, are to be forwarded to DES JSC SCM-SCP01-MatAcctg1 via the Command HQ and copied to the stock owner(s) for each quarterly reconciliation print that is produced.

57. DES JSC SCM-SCP01-MatAcctg1 will monitor these results in conjunction with Interim and Annual reports and initiate investigation should results indicate possible problems.

### **FIXED ASSET REGISTER AND ARTICLES IN USE**

58. Individual owners maintain registers of Fixed Assets, amongst other reasons, to record their location and to apply charges as necessary. It is a requirement that all Fixed Assets are physically verified annually.

59. The owner is to generate, for each custodian, a list of assets held.

60. The custodian is to carry out a physical verification of all items on the list. These checks are to be registered and reported as stocktakes in accordance with Paragraphs 6 to 15 and 20 to 38. The number of items and the value of these assets are to be reported in the stocktaking report and a copy of the documentation retained as the auditable stocktaking record.

61. Any discrepancies are to be identified, registered, investigated and, where necessary, adjusted in accordance with Paragraphs 20 to 38.

62. Fixed Asset stocktaking results are to be identified as a separate line in the stocktaking reports to be completed in accordance with the reporting requirements identified in Paragraphs 39 to 45.

63. Individual custodians maintain separate accounts or registers of articles in use, amongst other reasons, to record their location and to apply charges as necessary. It is a requirement that all items maintained on these registers and accounts are subject to the normal stocktaking requirements.

64. The custodian is to include articles in use items in the annual and cyclical stocktaking programmes and apply the standard stocktaking policy, processes and procedures contained in this instruction.

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**ANNEX A TO VOL 4 PART 2 CHAPTER 4: ANNUAL STOCKTAKING PROGRAMME (UNIT)**

(Introduced at Paragraph 3)

From: [Unit Name]

Reference:

To: [Command HQ]

Date:

**Table 1: Annual Stocktaking Programme – F/Y 20 /20 (Year of 4 Year Cycle 20 /20 )**

<b>Stock Owner</b>	<b>No. of *Items/Locations in Inventory</b>	<b>Value of Stock Held</b>	<b>No. of *Items/Locations Programmed for Count</b>	<b>Value of Stock Programmed for Count</b>
Land Command				
DG Log (Fleet)				
DG Log (Land)				
DG Log (Strike)				
DG Log Nuclear				
DG Log Sup Chain				
Defence Fuels Group				
Defence Procurement Agency				
Defence Catering Group				
Medical Supplies Agency				
DCSA				
Other (to be listed)				
<b>TOTAL</b>				

I certify that all items requiring a mandatory annual count have been incorporated into the annual stocktaking programme.

Signed: ..... Name (Block Capitals): .....

Rank/Grade: ..... Appointment: ..... Date: .....

\*Delete as appropriate

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**ANNEX B TO VOL 4 PART 2 CHAPTER 4: ANNUAL STOCKTAKING PROGRAMME (COMMAND)**

(Introduced at Paragraph 4)

From: [Command HQ]

Reference:

To: [Stock Owner]

Date:

Copy to: DES JSC SCM-SCPol-MatAcctg1

**Table 2: Annual Stocktaking Programme – F/Y 20 /20 (Year of 4 Year Cycle 20 /20 )**

Unit Name/UIN	No. of *Items/Locations in Inventory	Value of Stock Held	No. of *Items/Locations Programmed for Count	Value of Stock Programmed for Count
<b>TOTAL</b>				

I certify that all of the above units have incorporated all items requiring a mandatory annual count into the stocktaking programme (units that have not reported or any other exceptions are to be detailed on the reverse).

Signed: ..... Name (Block Capitals): .....

Rank/Grade: ..... Appointment: ..... Date: .....

\*Delete as appropriate.

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## ANNEX C TO VOL 4 PART 2 CHAPTER 4: STOCKTAKING REGISTER

(Introduced at Paragraph 7)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R		
Ser No.	Stock Owner	Cat. of Item	Type of Stock take	Date of Stock take	No. of Items or Locations	Total Value of Stock Counted	Stocktaking Adjustments										Date Stocktake completed or cancelled		
							Minor				Major							Total Items	Net Value
							Surplus		Deficient		Surplus		Deficient						
							Items	Value	Items	Value	Items	Value	Items	Value	Items	Value		Items	Value
Note 2	Note 3	Note 4	Note 5												H+J Plus L+N	(I+M) Minus (K+O)			

Notes for completion:

1. The register is to be completed progressively and as soon as each process is performed.
2. Enter the local Register number (to be sequential commencing at 1 on 01 Apr each year).
3. Enter the Stock Owner (see Annex A for examples).
4. As identified in Annex A to Chapter 1.
5. Enter the code from the following:

PR = Programmed MS = Management Snap Check  
included in Annual Report statistics)

RE = Re-Performance Check (Not to be

IS = Investigative HO = Handover Stocktake

AU = Audit

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## ANNEX D TO VOL 4 PART 2 CHAPTER 4: BULK FUEL MONTHLY STOCK CHECK REGISTER

(introduced at Paragraph 11)

Commodity/NSN .....Tank/Installation No.....

Date of Check	Quantity Found <sup>1</sup>	Account Balance	Quantity Surplus <sup>2</sup>	Quantity Deficient <sup>3</sup>	Monthly Turnover <sup>4</sup>	Discrepancy Percentage <sup>5</sup>	Temperature at Time of Check	CIV/CRV Reference	Loss Case Reference <sup>6</sup>	Comment
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Apr										
May										
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Jan										
Feb										
Mar										

<sup>1</sup> Allowing for temperature variations.

<sup>2</sup> The difference between b and c, where a surplus is found.

<sup>3</sup> The difference between b and c, where a deficiency is found.

<sup>4</sup> Quantity issued + quantity received.

<sup>5</sup> Refer to single-Service regulations for formula and examples.

<sup>6</sup> Eg MOD Form 2260

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**ANNEX E TO VOL 4 PART 2 CHAPTER 4: COUNT COMPLETE REPORT**

(Introduced at Paragraph 14)

From: .....

To: Stocktaking Control Office(r)

1. I certify that I have completed the count of .....(number) of items/locations on stocktaking list serial number .....
2. Having checked for pipeline transactions, the number of discrepancies requiring reconciliation is ..... (number of items/locations discrepant).
3. List, with results of stocktake, is attached.

Signed: ..... Name (Block Capitals): .....

Designation/Grade/Rank: ..... Date: .....

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By Stocktaking Control Office(r)

1. I am satisfied that the above stocktaking has been carried out in accordance with JSP 886 Volume 4 Part 2

Signed: ..... Name (Block Capitals): .....

Designation/Grade/Rank: ..... Date: .....

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Note:

This form need only be completed when there is no other record of stocktaker and date of stocktake.

**ANNEX F TO VOL 4 PART 2 CHAPTER 4: REPORT OF STOCKTAKER'S OBSERVATIONS**

(Introduced at Paragraph 15)

From: .....

To: .....  
Stocktaking Control Office(r)

1. During the undertaking of a recent stocktake/re-performance check in ..... Store, the following observations were made:

Signed: .....

Date: .....

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From: .....

To: .....

Copy to: Stocktaking Control Office(r)

1. I have noted the observation(s) and my comments are:

Signed: .....

Date: .....

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**(Any further follow up actions are to be recorded overleaf or on a continuation page)**

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### ANNEX G TO VOL 4 PART 2 CHAPTER 4: REGISTER OF MAJOR STOCKTAKING DISCREPANCIES

(Introduced at Paragraph 25)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Discrepancy Detail										Adjustment Details					
Ser No	Stock Owner	Stock Number	Cat of Item	Date of Stocktake	Basic Item Price	Qty (+or-)	Value	Cancelled Discrepancy Code	Date Cancelled	Reason for Adjustment Code	Qty (+or-)	Value	Voucher or Transaction Number	Date Adjusted	Authorising Officer
Note 1	Note 1		Note 1	Note 1			F * G	Note 2		Note 2		F * L			

Notes for completion:

1. Details to be obtained from original Stocktaking Register.
2. Insert the most appropriate code from the following:

#### Code/Reason for Cancellation.

- A.** Pipeline Transaction (resolved by activity since discrepancy was recorded).
- B.** Wrong physical count (Recount resolved discrepancy).
- C.** Compensating discrepancy identified.
- D.** Loss action required.
- E.** Mixed Stock (incorrectly identified stock).
- F.** Stock mis-stowed (wrong or unrecorded location).
- G.** Wrong Unit of Issue (wrong D of Q).
- H.** Issue/Transfer amendment to be processed.
- I.** Receipt/Return amendment to be processed Investigation

#### Code/Reason for Adjustment.

- 1.** Issue/Transfer error (posting or picking).
- 2.** Receipt/Return error (posting or picking).
- 3.** Stock mis-stowed (wrong or unrecorded location).
- 4.** Wrong Unit of Issue (wrong D of Q).
- 5.** Previously incorrectly adjusted.
- 6.** Item incorrectly identified.
- 7.** Trivial Transit Discrepancy.
- 8.** Under/Over delivery (Trade Receipt Primary Pack Quantity)
- 9.** Trivial Stocktaking Discrepancy (No Required.)

**ANNEX H TO VOL 4 PART 2 CHAPTER 4: RECORD OF MAJOR STOCKTAKING DISCREPANCY INVESTIGATIONS**

(Introduced at Paragraph 27)

Item Discrepancy Details

Stock Number: ..... Register Serial Number: .....  
Description: ..... Materiel Condition: .....  
Quantity: ..... Surplus/Deficient Basic Price: .....  
Discrepancy Value: ..... Level of Investigation  
Minimum/Maximum.

**Part 1 – To be completed by Reconciler carrying out investigation**

Minimum Investigation Checks (Tick boxes as appropriate)

- 1. Transactions processed but not physically completed.
- 2. Transaction physically completed but voucher not processed.
- 3. Uncleared discrepancies from previous stocktakes.
- 4. Other locations with the same stock number.
- 5. Re-count of physical stock.

Maximum Investigation Checks (Tick boxes as appropriate)

All of the applicable Minimum Investigation Checks plus:

- 6. Is error or correction action outstanding?
- 7. Duplication of Issue/Receipt vouchers.
- 8. Adjacent storage spaces.
- 9. Stock of other materiel condition(s).
- 10. Transaction history to check for anomalies that may account for discrepancy.
- 11. Issues and receipts with customers/suppliers.
- 12. Similar items or stock numbers.
- 13. Other checks (insert brief details).

Results and conclusions of Investigation:

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Cancelled Discrepancy Code  
(See list in Annex G)

Reason for Adjustment Code  
(See list in Annex G)

Signed: .....

Name (Block Capitals): .....

Designation/Grade/Rank: .....

Date: .....

**Part 2 – Section A or B to be completed by Adjustment Authorising Officer**

**Section A.**

I am not satisfied with the investigations undertaken and require further action as instructed below:

Signed: .....

Name (Block Capitals):.....

Designation/Grade/Rank:.....

Date:.....

**Section B. (Either box 1 or boxes 2 to 5 must be completed).**

1. I have noted the details of the investigations recorded in Part 1 and I am satisfied that as this discrepancy has been resolved no further investigation is required and no account adjustment necessary.

2. I am satisfied that there is no culpability regarding this discrepancy.

3. Where the investigation identifies suspect storekeeping or accounting procedures remedial action to prevent repetition has been taken.

4. The Stock Owner is to be notified separately as this adjustment may have a major impact on provisioning.

5. I have noted the details of the investigations recorded in Part 1. and I am satisfied that no further action is required. Authorisation to adjust the account is hereby provided. On completion of account adjustment the Voucher/Transaction detail is to be recorded in the box provided below.

\*Issue/Receipt Transaction Voucher Number

Signed: .....

Name (Block Capitals):.....

Designation/Grade/Rank:.....

Date:.....

## INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

### ANNEX I TO VOL 4 PART 2 CHAPTER 4: AUTHORISATION LEVELS FOR MAJOR STOCKTAKING DISCREPANCY ADJUSTMENTS

(Introduced at Paragraph 28)

Total Discrepancy Value	NATO Grades	Royal Navy	Royal Marines	Army	Royal Air Force	Civilian Non-Industrial Staff
Up to £10,000 Note 1	OF2	Lieutenant	Captain	Captain	Flight Lieutenant	Group D
£10,000 to £50,000 Note 1	OF3	Lieutenant Commander	Major	Major	Squadron Leader	Group C, Band 2
£50,000 to £100,000 Note 1	OF4	Commander	Lieutenant Colonel	Lieutenant Colonel	Wing Commander	Group C, Band 1
Over £100,000 Notes 1, & 2	OF5	Captain	Colonel	Colonel	Group Captain	Group B, Band 2

#### NOTES:

1. These levels apply only when the officer concerned has been empowered.
2. All Stocktaking adjustments where the value exceeds £100,000 are to be copied to the Stock Owner and listed separately in the Annual stocktaking report.

# INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

## ANNEX J TO VOL 4 PART 2 CHAPTER 4: INTERIM/ANNUAL STOCKTAKING RETURN FOR PERIOD 01

1 Apr ..... To 31 Dec / 31 Mar\* .....

\* - Delete as appropriate

**(Completed Stocktakes)** (Introduced at Paragraph 41)

From: \_\_\_\_\_

UIN: \_\_\_\_\_

Address: \_\_\_\_\_

Logistic Information System: \_\_\_\_\_

### Count

A Stock Custodian	B	C	D	E	F	G	H	I	J Percentage achieved by value
	Inventory Value at start of FY		In Year Stocktaking Count Achieved						
	Line Items	Value (£)	Programmed Count		Non-Programmed Count		Total Inventory Counted		
			Line Items	Value (£)	Line Items	Value (£)	Line Items	Value (£)	
Stock									
AinU*									
<b>Total</b>									

In Year Programmed Stocktaking Adjustments												
Number of Line Items Adjusted						Value of Line Items Adjusted						
Minor		Major		Total		Minor		Major		Total		Net
Sur	Def	Sur	Def	Sur	Def	Sur	Def	Sur	Def	Sur	Def	

In Year Non-Programmed Stocktaking Adjustments												
Number of Line Items Adjusted						Value of Line Items Adjusted						
Minor		Major		Total		Minor		Major		Total		Net
Sur	Def	Sur	Def	Sur	Def	Sur	Def	Sur	Def	Sur	Def	

In Year Total Stocktaking Adjustments												
Number of Line Items Adjusted						Value of Items Line Adjusted						
Minor		Major		Total		Minor		Major		Total		Net
Sur	Def	Sur	Def	Sur	Def	Sur	Def	Sur	Def	Sur	Def	

Note: Adjustment detail is only to be recorded where there has been a change of account stock balance either automatically for minor discrepancies or after reconciliation/investigation of major discrepancies.

Line Item Discrepancy Error Rate	Net Value Discrepancy Error Rate
----------------------------------	----------------------------------

**INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET**

**ANNEX K TO VOL 4 PART 2 CHAPTER 4: INTERIM STOCKTAKING PROGRESS & PERFORMANCE CERTIFICATE**

(Introduced at Paragraph 41)

FROM: \_\_\_\_\_

UNIT / ESTAB / AGENCY: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

Financial Year 01 Apr 20.. to 31 Dec 20..

1. I certify that the figures contained in the attached report are correct, and that in accordance with JSP 886 Volume 4 Part 2 (please tick appropriate boxes):

- a. A programme of stocktaking exists and that progress against the programme is satisfactory, all mandatory items have been/will be counted and at least 70% by value has been/will be achieved.
- b. Stocktaking registers have been maintained to record details of items counted and found discrepant.
- c. Accounting and storekeeping performance as revealed by stocktaking is satisfactory and DERs are within tolerance.
- d. All Major discrepancies have been registered, investigated in full and details recorded.
- e. All discrepancies have been completed within timeframe.
- f. Discrepancies not cleared within the prescribed timeframe are identified in the attached list with reasons.
- g. Any discrepancies found to be due to criminal activity, culpable negligence, loss etc have been actioned in accordance with Loss procedures and have not been included in the stocktaking results.
- h. All discrepancies exceeding £100K have been reported in the attached list/register.
- i. The requirement to achieve 2% re-performance checks within five working days has been achieved. Where this is not the case, reasons, preventative and corrective measures have been taken and identified overleaf.
- j. All other checks, including stock location checks, Fixed Asset stocktakes and management snap checks, in accordance with JSP 886, Vol 4, Part 2, have been carried out.

2. I am unable to provide the assurance(s) at sub Paragraph(s) ..... for the following reasons (continue overleaf or on another sheet if necessary).

Signed: ..... Name (Block Capitals): .....  
(Head of Establishment/Unit)

Designation/Grade/Rank: ..... Date: .....

# INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

## ANNEX L TO VOL 4 PART 2 CHAPTER 4: UNIT INTERIM STOCKTAKING PROGRESS SUMMARY

(Introduced at Paragraph 42)

From: [Unit Name] ..... Reference: .....

To: [Command HQ] ..... Date: .....

The status of the annual stocktaking programme for Apr 2.... to Dec 2.... is as follows:

\* Progress against the stocktaking programme is on schedule and this unit should achieve the target within the timeframes (summary to be provided in the tables below). Any changes that may adversely affect progress will be notified as soon as they arise.

\* Progress against the stocktaking programme has not been as expected and there is a possibility that the annual target may not be achieved. Details of the shortfall, cause of the shortfall and recovery action are shown in the tables below.

### Mandatory Annual Stocktakes

Category of Item	Programmed for the Year Items/Value	Achieved to Date Items/Value	Anticipated Shortfall at End of Year	Causes and Recovery Action

### Cyclic and Other Stocktakes

Type of Stocktake	Programmed for the Year Items/Value	Achieved to Date Items/Value	Anticipated Shortfall at End of Year	Causes and Recovery Action

\* Delete whichever does not apply.

Signed:..... Name (Block Capitals):.....

Designation/Grade/Rank:..... Date:.....

**INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET**

**ANNEX M TO VOL 4 PART 2 CHAPTER 4: ANNUAL STOCKTAKING PROGRESS & PERFORMANCE CERTIFICATE**

(Introduced at Paragraph 44)

FROM: \_\_\_\_\_

UNIT / ESTAB / AGENCY: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

Financial Year 1 Apr 20.. to 31 Mar 20.

1. I certify that the figures contained in the attached report are correct, and that in accordance with JSP 886 Volume 4 Part 2 (please tick appropriate boxes):

- a. A programme of stocktaking exists and the target contained in that programme has been achieved within DER tolerances.
- b. Stocktaking registers have been maintained to record details of items counted and found discrepant.
- c. It is confirmed that all items requiring a mandatory annual stocktake have been completed.
- d. All Major discrepancies have been registered, investigated in full and details recorded.
- e. All discrepancies have been completed within timeframe.
- f. Outstanding discrepancies are identified in the attached list and reasons provided.
- g. Any discrepancies found to be due to criminal activity, culpable negligence, loss etc have been actioned in accordance with Loss procedures and have not been included in the stocktaking results.
- h. All discrepancies exceeding £100K have been reported in the attached list/register.
- i. The requirement to achieve 2% re-performance checks within five working days has been achieved. Where this is not the case, reasons, preventative and corrective measures have been taken and identified overleaf.
- j. All other checks, including stock location checks, Fixed Asset stocktakes and management snap checks, in accordance with JSP 886, Vol 4, Part 2, have been carried out.

I am unable to provide the assurance(s) at sub Paragraph(s) ..... for the following reasons (continue overleaf or on another sheet if necessary).

Signed:..... Name (Block Capitals):.....  
(Head of Establishment/Unit)

Designation/Grade/Rank:..... Date:.....

## INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

### ANNEX N TO VOL 4 PART 2 CHAPTER 4: STOCKTAKING REPORTING CHAIN

(Introduced at Paragraph 46)

Stock Custodian	First Recipient	First Recipient Reports to:	First Recipient Copies to:
DSDC Depots	JSCS HQ	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
Air Cmd MJDI Unit	HQ AIR	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
DARA Units	DARA HQ	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
Other MJDI Users	Command HQ	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
ARMY Units	Command HQ	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
RN/RM Units	Fleet HQ	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
STO(N) RFA	DES JSC SCM-SCPoI-MatAcctg1	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
RFA (Domstock)	Fleet HQ	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
DM Depots	JSCS HQ	Stock Owner(s)	DES JSC SCM-SCPoI-MatAcctg1
AAC (for All)	DES JSC SCM-SCPoI-MatAcctg1	Stock Owner(s)	
Oil Fuel Depots	DFG (Stock Owner)	DES JSC SCM-SCPoI-MatAcctg1	
DG Log (Fleet) Depots	DES JSC SCM-SCPoI-MatAcctg1	Stock Owner(s)	
Naval Base Commanders	DES JSC SCM-SCPoI-MatAcctg1	Stock Owner(s)	

Note:

- Contact addresses should be as prescribed in Customer Supplier Agreements, Business Agreements, Service Level Agreements, Tasking Statements, Contracts or other formal agreements between the Stock Owner(s) and the custodian authorities or obtained from the **DES JSC SCM-SCPoI-MatAcctg1**.
- It is the responsibility of Command HQs and other contact points to notify the **DES JSC SCM-SCPoI-MatAcctg1** of any changes of address etc.