

# MAKING COUNTS COUNT



It is that time of the year; when we want to establish how much inventory we would have as at the year-end. From raw materials, work-in-progress, parts and supplies and finished goods, counts would be done.

It is however possible for stock count exercises to become routine and not bring the requisite benefits to inventory record keeping and the financial reporting process. To maximise gains from the exercises, you should take the following steps :



**Freeze operations** - Usually, it makes sense to count inventory during off-hours to minimise the disruption to business operations and this should go on simultaneously even when there are several locations. For organizations who run operations round the clock, like hospitals, it may be prudent to issue out frequently used items from the store before the count.

**Train Staff:** It is not unusual for non-store staff to be co-opted for inventory counts. Get them familiar with store items, arrangements and peculiarities. Train staff to not just count, but to identify obsolete items, expired items, broken items and slow moving inventory.

**Preview inventory:** Most companies do a dry run a few days before the count to identify any potential roadblocks and determine how many workers to schedule. This gives the opportunity to correct any foreseeable hitches, such as missing part numbers, bincards, or outgoing supplies. All recently received items should be properly shelved and arranged. There should be no items hanging around the store floors.

**Assign workers to count inventory:** Assemble at least two-person teams to prevent fraudulent counts. Assign each team a specific area of the warehouse to count. Never give employees inventory listings to reference during the count, otherwise, they may be tempted to duplicate the amount from the list, rather than bring attention to a possible discrepancy.

**Invite your auditors:** The presence of your external auditors to witness the counts provides more credible audit evidence of the quantity of inventory. Remember they are not there to help you count inventory but to observe the procedures, review the processes and evaluate internal controls over inventory. They may also perform independent counts to compare to your inventory listing and counts made by your employees.



**Explaining discrepancies and reporting:** A fundamental part of the count is reporting and reconciliation. All discrepancies in stock records and condition of inventory should be documented, investigated and reported to the right level of management.

**Cash counts:** where cash is kept in the premises, a cash count should be done. Remember to have the appropriate independent personnel to witness the cash count.

**Refreshment:** Yes, refreshments. Physically counting inventory is a tedious process, so you want your keep your team well-watered and well-fed. This would take you a step closer to accurate stock quantity records.

For discussions on inventory management or financial reporting please contact :



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