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Iechyd Cyhoeddus  
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Public Health  
Wales

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## STORES FINANCIAL CONTROL PROCEDURE

### Introduction and Aim

The Standing Financial Instructions (SFIs) detail the financial responsibilities, policies and procedures adopted by Public Health Wales NHS Trust (PHW). The SFIs do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and Financial Control Procedure (FCP) notes.

This procedure sets out the Trusts systems and processes for the control of stores, stocktaking, condemnations and disposal.

The aim of this document is to ensure the Trust has a clear procedure for the regulation and operation of the stores, to include the accounting arrangements including records for receipt, issues, and returns of goods to stores and losses.

### Linked Policies, Procedures and Written Control Documents

[All corporate policies and procedures are available on the Public Health Wales website](#)

Other written control documents which have been identified to have interdependencies with this procedure and should therefore be read in conjunction with, include;

- [Standing Financial Instructions](#)
- [Procedure for the disposal of obsolete and surplus equipment, vehicles, furniture and consumables](#)
- [Counter Fraud, Bribery and Corruption Policy](#)

### Scope

This procedure is Trust wide but applies more directly to those departments where stocks are held, and the Finance Division staff.

This procedure does not apply to:

- Capital assets which expected to have a life of more than a year;
- Loan equipment, which has been issued, returned and is back on the shelf for future re-issue;
- Consignment stock which are delivered from a supplier but not yet ordered or paid for.

### Equality and Health Impact Assessment

An Equality, Welsh Language and Health Impact Assessment has been completed and can be viewed on

	the policy webpages.
<b>Approved by</b>	Audit and Corporate Governance Committee
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<b>Accountable Executive Director/Director</b>	Huw George, Deputy Chief Executive and Executive Director for Operations and Finance
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**Disclaimer**

**If the review date of this document has passed please ensure that the version you are using is the most up to date either by contacting the document author or the [Board Business Unit](#).**

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<b>Summary of reviews/amendments</b>				
<b>Version number</b>	<b>Date of Review</b>	<b>Date of Approval</b>	<b>Date published</b>	<b>Summary of Amendments</b>
1.0	N/A	29 January 2024	15 March 2024	First version to be published

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## 1 Introduction

The Standing Financial Instructions (SFI's) detail the financial responsibilities, policies, and procedures adopted by Public Health Wales NHS Trust (the Trust). The SFI's identify the financial responsibilities which apply to everyone working for the Trust and its constituent organisations. They do not provide detailed procedural advice and should be read in conjunction with the relevant financial control procedure. This financial control procedure covers the area of Stores.

Under the SFI's Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:

- a) kept to a minimum;
- b) subjected to annual stock take; and
- c) valued at the lower of cost and net realisable value.

Stocks are goods for day-to-day use, which have been delivered but not yet used/issued i.e., they are for use at some point in the future. Generally, each item will have a short useful life, and the goods are ordered in quantity.

Stocks do not include:

- Capital assets, which are expected to have a life of more than a year.
- Loan equipment, which has been issued, returned and is back on the shelf for future re-issue.
- Consignment stock which are delivered from a supplier but not yet ordered or paid for.
- Obsolete items if items are sitting on the shelves and will never be issued because they are obsolete, they should be excluded from stock takes and disposed of.

The Trust recognises two forms of stores – Controlled and Uncontrolled.

A **controlled** store is a secure storage area for goods that are of higher value or are liable to theft. This could be for pharmaceutical items, or, in estates, it could be for fuel such as oil. Receipts to and issues from the controlled store are subject to a computerised or paper-based recording system of sufficient detail to ensure that only authorised stock movements are made, and to enable the value of stock on hand to be calculated. The stock held at a controlled store will have a large enough overall value to appear in the accounts of the Trust and will have a specific General Ledger code allotted to it.

This will also be subject to a yearly stock count to ensure that accuracy of the stock valuation in the annual accounts.

An **uncontrolled** store are small stocks of lower value items necessary for the day-to-day functioning of the department (e.g., stationery). They are held to avoid the necessity of ordering every time an item is needed and control is informal. The overall value of the stock will not be large enough to appear in the accounts of the Trust.

The Director of Finance is responsible for ensuring that robust systems and procedures are in place for the systems of financial control but overall responsibility for the control of stores shall be delegated to a senior officer by the Chief Executive. The day-today responsibility may be delegated by them to departmental officers/managers and Stores Managers, subject to such delegation being entered in a record available to the Director of Finance. The control of any laboratory stocks shall be the responsibility of a designated Stores Manager; the control of any fuel oil and coal of a designated Estates Manager.

The aim of this procedure note will be achieved by ensuring staff are aware of how to control and account for stores, keep stores secure to minimise instances of loss or theft. Where cases of loss, theft, fraud, or corruption are suspected, the guidance given in the Trust's Counter Fraud Policy and Response Plan should be followed. This FCP excludes management of Drugs and Medicines.

## **2 Scope**

This financial control procedure (FCP) is Trust wide but applies more directly to those departments where stocks are held, and the Finance Department staff.

## **3 Objectives**

The objective of this FCP is to comply with the Trust's Standing Orders and Standing Financial Instructions. It will also ensure financial probity and clarity of accountability in the Trust through the use of strong controls and procedures around stores.

Having clear procedures for the control, security, and use of stores in the Trust provides assurance that risks such as loss or theft are minimised. This procedure also outlines the actions to be taken in such events. This will help to:

- Obtain value for money whilst providing the best service.
- Ensure the Trust's approach to inventory management provides the maximum benefit in terms of requisition, shrinkage, waste, disposals obsolescence and product recalls.
- Provide standardisation of goods and traceability of usage.
- Improve patient care by ensuring all goods used are fit for purpose and meet quality standards.
- Ensure products are available for treatment of patient with minimal clinical effort.

## **4 Roles and responsibilities**

This section outlines the roles and responsibility for:

- Public Health Wales Board
- Director of Finance
- Deputy Director of Finance
- Head of Financial Reporting and Control
- Finance Business Partner
- Stores Manager
- Individual Staff

Outline the specific duties of individuals and groups in carrying out the procedure/written control document. For example:

### **4.1 Public Health Wales Board**

The Trust Board, under guidance from the Audit and Corporate Governance Committee will:

- delegate approval of the Stores Financial Control Procedure to the Audit and Corporate Governance Committee;
- delegate responsibility for stock and financial accounting to the Director of Finance. This includes ensuring good inventory management practice in order to achieve best value for money.

#### **4.2 Director of Finance**

The Director of Finance is responsible to the Board for all aspects of stock and subsequent financial accounting within the Trust the Director of Finance will:

- ensure that Trust stock management is carried out in line with this procedure;
- ensure that there is good inventory management practice to achieve best value for money;
- ensure proper safeguards are in place regarding the security of the Trust's stock.

#### **4.3 Deputy Director of Finance**

The Deputy Director of Finance reports to the Director of Finance and will:

- fulfil the role of the Director of Finance, in respect of the above, in the absence of the Director of Finance;
- ensure that staff performing the stores accounting function are experienced, trained and supported to carry out their role; and
- oversee the management of the stores accounting function.

#### **4.4 Head of Financial Reporting and Control**

The Head of Financial Reporting and Control reports to the Deputy Director of Finance and will:

- manage the stores accounting function, ensuring that policies and procedures are adhered to;
- update stores and stocktaking policies and procedures, when necessary, for approval by the Audit and Corporate Governance Committee; and
- make recommendations and escalate issues, where, necessary, to the Director of Finance and Deputy Director of Finance.



#### **4.5 Finance Business Partner**

The Finance Business Partner reports to the Head of Finance Reporting and Control and will:

- oversee the stores accounting function on a day-to-day basis;
- implement the stores procedure as approved by Audit and Corporate Governance Committee;
- ensure stores activities are reported on a timely and accurate basis.

#### **4.6 Stores Manager**

The Stores Manager will report to the Laboratory Manager and is responsible for:

- communicating change regarding inventory management to the Trust,
- training all relevant staff on inventory management procedures;
- producing stock reports to identify opportunities for improvement and set targets regards stock holding, waste, shrinkage, and disposals;
- leading the implementation of any change regarding inventory management;
- assisting in resolving inventory management queries;
- advising on stock management processes and systems.

#### **4.7 Individual Staff**

All staff involved with inventory management have a responsibility to strive to achieve stock integrity and accuracy, comply with Standing Orders, Standing Financial Instructions, Procurement legislation, Code of Conduct for NHS Managers, Standards of Business Conduct, and the Bribery Act. Applying the above, all those involved in the inventory management process:

- must never change inventory figures in order to attain a personal gain and must at all times maintain integrity and accuracy to foster the highest possible standards of professional competence;
- must optimise the use of resources for which they are responsible to provide the maximum benefit to the Trust;
- comply both with the letter and the spirit of the law;
- comply with the inventory management policy procedures when completing a stock related action.

## **5 Control of Stock, Stocktaking, Condemnations and Disposal**

### **5.1 Receipt of Stock**

Only authorised staff should accept and receive deliveries.

All goods received should be matched against delivery note. Any discrepancies should be reported to the supplier or, if not possible, to the Stores Manager.

Any damaged products should be reported to the supplier or, if not possible, to the Stores Manager.

All deliveries should be added to the existing stock holding using the appropriate system. Purchases will be recorded in Oracle, but the stock holding may be held on a separate system by the various laboratories.

Any excess stock should be investigated, and corrective action should be taken. If overstock issues are still not resolved this should be escalated with the supplier or escalated to the Stores Manager.

### **5.2 Storage**

Deliveries should be stored only in allocated areas. There should be one product in one location to facilitate easier counting and stock management.

New products should be stored behind existing stock to assist with rotation and date checking (First In First Out (FIFO)). This helps to minimise risk of losing stock due to obsolescence.

Whilst storing a product the area should be tidied up for example, empty boxes removed, ensure labels are visible, ensure effective use of space management.

All storing displays should hold as a minimum one delivery unit. All staff should ensure that they do not open a new box if there is already a box open and in use. When using the last product from a box the empty box should be disposed of to help ensure only one box is open at a time.

No physical changes should be made to storerooms or stock locations without referral to the Stores Manager, so that the stock management requirements are taken into consideration and advice can be provided before any changes are approved.

When a product is consistently out of stock, over stocked or missing the product label, the appropriate card, as below, should be placed in the label holder to improve identification of these lines and ensure corrective action is taken.



## **5.3 Stock Condemns and Disposals**

### **5.3.1 Losses**

All losses including Waste, Disposal and Shrinkage should be recorded, reported, and investigated according to the Losses and Special Payments Register. Any loss should be authorised in accordance with the Operational Scheme of Delegation and then written off.

The loss should be reported to the Head of Financial Reporting and Control to be recorded in the losses and special payments register. It is the responsibility of the manager to take remedial action if they consider that the number and value of losses is too high. This should be investigated and, if appropriate, this may result in a referral to senior management and/or Counter Fraud team.

### **5.3.2 Waste**

All staff should work in an efficient way to reduce waste and be proactive to use products before expiration day or transfer them out to locations that will use this stock. Any waste should be disposed of safely.

Stores Managers and Budget Holders should ensure staff adhere to the above and be accountable to deliver their waste targets.

### **5.3.3 Disposals**

All disposals should be disposed of safely.

All disposals should be isolated in designated areas and clearly marked "items to be disposed." All disposals should be notified to the Finance Business Partner so any financial impact can be recorded in Oracle and if possible, the manual Disposals recording form at Appendix 3 should be completed. Authorisation must be obtained before disposal of the stock.

### **5.3.4 Transfers**

Transfer of stock should only be completed by authorised staff.

All staff should work in an efficient way to encourage transfers within the Trust to reduce waste and disposals.

The issuing location and the receiving location should advise the Finance Business Partner of the transfer so any financial impact can be recorded in Oracle (to update stock holding and budget changes).

#### **5.4 Security**

Consideration must be given to clearly defined stock locations, approved access to the stores and physical security in the form of doors, locks and keys, and signage for use of the stores. There must be a local written procedure for the custody of the keys to locked stores. Goods requiring controlled temperature, humidity or other protection will require appropriate storage.

Access to the stock should only be provided to approved personnel, with adequate segregation of duties in place. For example, the person receiving the stock should be different to the person in charge of the stock i.e., the issuer.

#### **5.5 Stocktaking**

Stocktakes should only be completed by authorised staff. A stocktake must be conducted at the financial year-end, if possible, on the last day of the financial year. Where this is not possible, the stocktake must be undertaken as close as possible to the year-end date and the movement for receipt or issue of goods accounted for after the stock count to ensure that the year-end stock balance and therefore the value is as close to the actual value as possible.

**The stocktake date and time must be notified to the Head of Financial Reporting and Control, in the Finance Division. The stock count date and times will be notified to the external auditors, and it is essential that prior notice is given such that the auditors can then decide if they wish to attend the stock count. Where the stock count date and time is changed, the count must not be undertaken, unless the Head of Financial Reporting and Control and the auditors are notified and given enough notice to attend if required. Also, the count cannot be moved to a date after the year end.**

**Where the counts are moved without notifications being provided, the Head of Financial Reporting and Control**

**reserves the right, as delegated from the Director of Finance, to require a new stock count at a time agreed between Head of Financial Reporting and Control and the auditors.**

No outstanding Stock Management actions should remain at the end of the financial year i.e., transfers not received, waste/disposals/shrinkage not recorded on Oracle.

The stocktake sheet is on appendix 1 and should be completed for each item of stock in that location area. Where possible, evidence of the price paid for the item should also be available. During the audit, evidence will be requested to support the valuation, and this is best done via third party information such as an invoice.

### **5.6 Product recalls/alerts**

Product alerts and recalls should be completed in accordance with the appropriate guidance.

Inventory management and disposal of these products should be completed in accordance with this guidance.

The stock records should identify the storage location of remaining stock and the Stores Manager should have records to support which patients, if any, have been given the item to facilitate any subsequent corrective action that is required.

### **5.7 Minimum Stock Level**

When a product goes below minimum stock level or becomes out of stock, the reason for this occurrence should be investigated. If incorrect inventory is in Oracle this should be updated, and the scanning process of stock levels reviewed by the Stores Manager.

In the case of urgently required products the transfer option should be explored. In non-urgent cases reordering will be completed as per current system or process.

Where the availability of the product is not improving the supplier should be contacted or it should be escalated to the Procurement Managers.

### **5.8 Stock level reviews**

A rolling review of inventory items and the quantities to be stocked shall be conducted by the Stores Manager to provide optimum levels of service and value for money. This will provide routine and

ad-hoc stock checks and review of discrepancies before amending stock levels.

## **5.9 Requisitions/returns**

All items leaving or returned to an area should be recorded on local systems.

All items returning to the storeroom should be stored according to storage guidelines.

## **5.10 Systems**

All stock movements must be entered on the day that they occur, onto the appropriate stock records. These may be either computerised or manual records but will control the same basic transactions such as record of receipt, issues, losses, and transfers.

## **5.11 Obsolete Stock**

The Stores Manager should review the stock, typically during the stock count, to consider obsolescence or impairment. In the case of stock past its use by date, the stock is therefore obsolete and must be written off down to a nil value. Some stock may be impaired, and the value needs to be written down. In both cases the detail of the product and the amount to be written down should be marked on the stocktake record for submission to the Head of Financial Reporting and Control.

## **5.12 Goods via agency**

For goods supplied via NHS Wales Shared Services Partnership – Procurement Services (NWSSP-PS) or any other NHS purchasing and supplies agency central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the Director of Finance or authorised officer who shall satisfy himself that the goods have been received before accepting the recharge.

## **5.13 Free of Charge Stock**

Where stock is provided free of charge e.g., during the COVID pandemic some stock was provided free of charge by suppliers, as the payment may have been from central government to the supplier, this stock should still be accounted for and classed as a donation. **This will form part of the stock count and will be**

**valued in the normal way.** At the year-end the stock would have a value, based on market rates, and classed as a current asset, namely, as inventories. The balancing entry would be to reserves. The income and expenditure are both recognised when the item of stock is used. The stock balance is reduced as well as the reserve balance.

#### **5.14 Stores Control Environment**

The controls identified in this policy are designed to ensure that the Trust's stores activities are controlled and properly reported. The overall control environment extends further than the specific management of stores to include:

- Clearly defined roles and responsibilities, as described above;
- Regular monitoring and reporting of the progress of stores;
- Segregation of duties between the requisitioner and receiver of stores; and
- The above activities will be within the scope of internal and external audit.

#### **5.15 Compliance**

Failure to comply with Trust rules could result to a disciplinary action and potentially criminal action in respect of any fraudulent behaviour.

#### **5.16 Policy Effect**

There shall be a stocktake undertaken at least once a year, typically at year end. The date and time of the count will be agreed with the Head of Financial Reporting and Control with sufficient notice provided to auditors to enable them to attend if they wish. Where a change in date and/or time is required due to unforeseen circumstances **then this must be agreed with the Head of Financial Reporting and Control and auditors before the count is undertaken.** Where this is not undertaken on the last day of the financial year, **a reconciliation from the count to the end of the financial year must be undertaken considering receipts and issue of stock to enable an estimated figure to be obtained for year-end accounts purposes.**

The valuation of stock will be audited and therefore there must be sufficient record keeping held at the stores location to support the

price paid for the stock item. A reference to a valid invoice to support the price paid must be retained by the Stores Manager.

The stock take records will be signed by the counters and submitted to the Head of Financial Reporting in line with the stocktake guidance issued in preparation for the year end.

## **6 Training and Raising Awareness**

This document will be implemented and disseminated through the organisation immediately following ratifications and will be published on the Trust's intranet site. The policy will be placed on the Document Library with the Finance Section of the Intranet. Access to this document will be open to all staff.

This procedure will be promoted and disseminated to the identified Directorates and Divisions via the relevant Finance Business Partner.

Training will be provided by the Stores Manager for staff who are responsible for handling stores.

New Finance Division staff are given an overview of Financial Accounts during their induction weeks. This includes an overview of SFI's, Standing Orders and FCP's and they are shown where to find the documents on the PHW intranet.

## **7 Monitoring and Review**

The monitoring and review of this procedure is the responsibility of the Head of Financial Reporting and Control in the Financial Accounts team. Reviews will be undertaken every 3 years, or when changes are identified prior to the required review date.

Stock takes are performed on a yearly basis and reviewed and ratified by the Stores Manager.

Losses and/or thefts are logged and reported to the Financial Accountant to record on the register of losses and special payments and reported to the Audit and Corporate Governance Committee.





## 8 Appendices

### 8.1 Summary of Key Responsibilities

<b>Para.</b>	<b>Control item</b>	<b>Responsible Officer</b>
4.4	Manage stores accounting function including issuing stock count guidelines and accounting for stock at year end	Head of Financial Reporting and Control
4.6	Overseeing day to day management of the stores	Pharmaceutical Manager
5.1	Receipt of goods	Authorised nominated officers
5.2	Housekeeping of stores	Location Manager
5.3	Day-to-day management of stores including losses, disposal, shrinkage etc.	Location manager
5.3	Losses and/or theft	Head of Financial Reporting and Control
5.4	Security of stores	Location Manager
5.5	Stocktaking	Authorised nominated officers
5.8	Stock level reviews	Location Manager
5.11	Obsolete/impaired stock value write down	Location Manager

## 8.2 Stock Count EXAMPLE OF STOCK COUNT

STOCK  
LOCATION Aberystwyth

Stock  
count  
Date:

31/03/2023

Cost centre	Supplier	CAT. REF.	DESCRIPTION	UNIT OF ISSUE Pack Size	Input	Input	VAT	Cost inc. VAT (2022/23 prices)	TOTAL VALUE	COMMENTS
					_PHYSICAL QUANTITY in Stock (In Unit of Issue Pack Size)	UNIT COST EXC VAT (2022/23 prices)				
HMAA	Alpha Labs	LW4111	Pasteur Pipette 3ml Disp graduated non-sterile	Box 500	5	£7.23	£1.45	£8.68	£43.40	
HMAA	Amazon	IR91	Autoclave Ribbons	Each	8	£3.92	£0.78	£4.70	£37.60	
HMAA	BIOMERIEUX LIMITED	21342	*VITEK 2 GP TEST KIT (20 cards)	Pack20	5	£56.40	£11.28	£67.68	£338.40	
HMAA	Cellpath	SAH-2222-03A	Micro cover glass 2222-1.5	pk 1000	3	£7.50	£1.50	£9.00	£27.00	
HMAA	Cellpath	SAH-2250-03A	Micro coverglass 2250-1.5	Pk 1000	2	£19.30	£3.86	£23.16	£46.32	
HMAA	Chrystal Consulting Ltd	442023	Bactec Plus+ Aerobic/F bottles	Box 50	7	£126.00	£25.20	£151.20	£1,058.40	
								<b>TOTAL</b>	<b>£1,551.13</b>	

Signature.....

Name.....

Signature.....

Name.....

Date.....

### 8.3 Losses

## EXAMPLE OF STOCK LOSS

STOCK  
LOCATION Aberystwyth

Loss Date:

Cost centre	Supplier	CAT. REF.	DESCRIPTION	UNIT OF ISSUE Pack Size	Input	Input	VAT	Cost inc. VAT (2022/23 prices)	TOTAL VALUE	COMMENTS	
					_PHYSICAL QUANTITY in Stock (In Unit of Issue Pack Size)	UNIT COST EXC VAT (2022/23 prices)					
HMAA	Alpha Labs	LW4235	Pasteur Pipette 3ml Disp graduated non-sterile	Box 500	5	£7.23	£1.45	£8.68	£43.40	Box damaged fell on floor	
									<b>TOTAL</b>	<b>£43.40</b>	

Signature.....

Name.....

Signature.....

Name.....

Date.....

