,

STOCK COUNT AND STOCK ADJUSTMENT PROCESS

EGC/SOP/WH/005

Revision No: 00

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APPROVAL

	DESIGNATION	SIGNATURE	DATE
Reviewed By:	MR		20th May 2026
Approved By:	MD		22nd May 2026

REVISION HISTORY

Rev Date	Rev No.	Changes Description	Author
22- May-26	00	Initial procedure	Purchasing & Finance
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1.0 PURPOSE

To establish a systematic method for conducting stock counts and making necessary stock adjustments to maintain accurate inventory records, ensure proper material control, and support procurement planning.

2.0 SCOPE

This procedure applies to all materials, spare parts, consumables, and finished goods maintained in the company's stores/warehouse. It covers:

- Periodic stock counts (cycle counts, monthly, quarterly, and annual stock takes).
- Ad-hoc stock checks (triggered by discrepancies).
- Stock adjustments (additions, write-offs, transfers, corrections).

3.0 REFERENCE DOCUMENTS

Control of Records	EGC/SOP/CP/002
ISO 9001:2015	Clause 7.1.5 & 8.5.1
Quality Management System Manual (ISO 9001:2015)	EGC/QM/002

4.0 RESPONSIBILITIES

4.1 Procurement Manager

a) Oversees the stock count process and propose adjustments.

b) Ensures compliance with company policies and audit requirements.

4.2 Storekeeper / Warehouse Supervisor / Material Person

a) Prepares stock for counting, ensures proper labelling and segregation.

b) Assist in physical counts and records results.

4.3 Independent Member

a) Conducts physical counts and records results.

4.3 Finance Department

a) Verifies and approves financial impact of stock adjustments.

4.4 Internal Audit Team / External Auditor

a) Monitors adherence to procedure during audits

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5.0 DEFINITIONS & ABBREVIATIONS

Stock Count The physical verification of items in store against system records.

Stock Adjustment The process of correcting inventory records to reflect actual physical stock.

Discrepancy Any variance between physical count and system record.

6.0 PROCEDURE

6.1 PLANNING THE STOCK COUNT

6.1.1 The Procurement Manager shall issue a formal Stock Count Notice to all relevant departments and personnel at least **one week** prior to the scheduled stock count.

6.1.2 This advance notice ensures that all parties are aware of the upcoming activity, allows sufficient time for preparation, and helps minimize disruptions to normal operations.

6.1.3 The Storekeeper shall prepare the stock for counting by carrying out several important tasks in advance.

6.1.4 This includes ensuring that all items are properly labelled, clearly identified, and neatly stored in their designated locations so that counting can be performed efficiently.

6.1.5 In addition, the storekeeper must segregate any non-conforming, damaged, or return items to avoid mixing them with usable stock and to ensure that their condition is properly recorded.

6.1.6 Finally, the procurement department shall print the necessary stock counting list from SAP system to assist the counting team, and where appropriate, which included the blind count sheets to improve accuracy and reduce the possibility of bias during the stock-taking exercise.

6.2 CONDUCTING THE STOCK COUNT

6.2.1 The Counting Team, consisting of at least two people, shall carry out the stock count to ensure objectivity and reduce the risk of errors or bias.

6.2.2 The team shall conduct the count in a systematic manner, proceeding shelf by shelf or location by location, while making use of the official inventory counting listing to document the process.

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6.2.3 For each item counted, the team shall **record the actual quantity physically found**, and in cases where items are identified as **damaged, expired, or obsolete**, the specific condition of those items must also be clearly noted on the Inventory Counting List.

6.2.4 Upon completion of the counting for each section, both members of the Counting Team must sign the Inventory Counting Listing as confirmation that the quantities recorded are accurate and that the process was performed in a fair and transparent manner.

6.3 RECONCILING STOCK RECORDS

6.3.1 Procurement shall carefully compare the results of the physical stock count with the quantities recorded in the inventory management system. This step ensures that any differences between the actual stock on hand and the system records are detected promptly.

6.3.2 If differences are identified, such discrepancies must be highlighted and formally documented in **Stock Counting**. This report should clearly state the item details, the quantity counted, the system quantity, and the variance noted.

6.3.3 The Procurement Manager is responsible for reviewing the Stock Discrepancy Report and conducting a thorough investigation into the possible causes of the discrepancies. This may include checking for data entry errors, unrecorded receipts or issues, instances of theft or pilferage, misplacement of items, or any other contributing factors.

6.3.4 The outcome of the investigation shall be documented, and appropriate corrective and preventive actions must be initiated.

6.4 STOCK ADJUSTMENT

6.4.1 If a discrepancy is confirmed after investigation, the Procurement Manager shall prepare Inventory Counting Transactions with approval. This form included the item code and description, the system balance compared to the physical count, the quantity difference identified, and the reason for the adjustment. The reasons may include damage, loss, gain, write-off, or correction of records.

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6.4.2 The Finance Department is responsible for reviewing and approving any stock adjustments that have a direct impact on the financial valuation of inventory. This ensures that proper financial control and accountability are maintained.

6.4.3 Once approval has been granted, Finance will proceed with Inventory Posting. Then SAP system will make the adjustment.

7.0 CONTROLS

7.1 To ensure adequate internal control and segregation of duties, no single individual is permitted to both perform and approve stock adjustments. The responsibility for initiating, reviewing, and authorizing adjustments must be carried out by separate personnel

7.2 Access rights within the inventory management system are strictly controlled, and **system access for stock adjustments is restricted only to duly authorized personnel**. This measure is being implemented to minimize the risk of unauthorized or fraudulent transactions.

7.3 In cases where stock items are identified as obsolete, damaged, or otherwise non-conforming, a formal review and approval process must be carried out. Specifically, both the Quality Assurance (QA) Department and the Finance Department must provide their approval prior to any write-off being executed. This ensures that stock write-offs are valid, properly justified, and financially accounted.

8.0 RECORDS

8.1 The following records and forms shall be maintained:

8.1.1 Stock Counting EGC/WH005/F01

8.2 All records generated from the stock count process, including stock count sheets, discrepancy reports, adjustment forms, and final reports, shall be properly retained and archived.

8.3 The retention period for these records shall be a minimum of five (5) years, unless otherwise specified by applicable regulatory requirements or internal company policy.

8.4 In cases where the company policy requires a longer retention period, the company's policy shall take precedence.

8.5 This ensures that all records remain available for future reference, audits, and compliance verification.

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