Entity	**Period-end**	**W/P reference**
Summit Communications Limited (SCL)	28 February 2017	IC&A/PVRI-23032017

Executive Summary

We have conducted physical verification of inventories based on 28 February 2017 stocks at Ashulia warehouse and 12 March 2017 stocks at Mirpur warehouse.

This physical verification was held on 2 March 2017 and 15 March 2017 at Ashulia and Mirpur ware houses respectively. During our physical verification we have selected 100% items of inventories. We have performed a complete reconciliation on movements of inventories between reported stocks and verification dated stocks.

During our verification we did not found any material deviations between physical stocks and reported stocks. No fraudulent activities have been identified and no fictitious records have been observed. However, some observations have come to our attention during verification that I have mentioned below:

Faulty and long aged inventories are identified and kept separately. Faulty items list has already shared to our internal repair section under Quality Control (QC) department. They already verified all the faulty items and will take initiatives to repair the locally repairable items very soon.

Besides current findings, we also analyze the previous observations that have been mitigated through regular monitoring of SCM and IA personnel.

In conclusion, we can say though we have a limitation of store space, they bound to keep the materials to our vendor stores where there is a chance of losing control on Inventories. However, some deficiencies has been identified and communicated to store in-charge as well as store personnel regarding store maintenance and they committed to us that they will eliminate the deficiencies very shortly.

We recommend that,

1. Establishing a Central warehouse with proper standardization i.e. racking facility, permanent Bin card, cooling system and inventory management software are very vital.

2. Eliminate warehousing materials in vendors' stores to eliminate loosing controls on inventories. If it is necessary to keep materials into vendors stores then there should have an agreement/contract between SCL and SCL vendors'.

3. Stored electronics and network related items should be kept in a separate part of the cool area.

4. Un-shaded area of Ashulia warehouse can be shaded to prevent material damage.

5. Mirpur warehouse can be replaced by establishing a central warehouse because it does not fulfill the criteria of standard warehouse.

6. Faulty items should be communicated to vendors on a real time basis for repairing or communicated to our internal repair section under QC to repair locally.

7. Long aged inventories should be notified three monthly to the user department.

8. Warehouse personnel should update their stock (mentioning items wise ageing) on a daily basis and the stock report can keep in a common folder so that users can take their decision promptly. This practice can ensure prompt decision making by various business units.

9. Cut piece returned ducts are received by warehouse without taking any measurement because they told they could not measure the length of cut pieces. In this regard, they can measure those cut pieces by

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weight measurement. If they identify per Mtr duct weight then they will be able to measure the cut piece returned length.

10. Any kinds of shortage return (quantity mentioned in Asset Transfer Form does not match with physically received goods) should be communicated with respective users without receiving and recording in store ledger.

11. No material should use by vendors; those who keep SCL stocks, without SCM issued delivery challan. In this case users email will not be considered the alternative document of delivery challan in any manner.

Current status of previous physical verification observations

Sl. No	Summary	Observation	Action Point	Current Status
1	Organogram & Store management policy- *31 December 2014*	No standard Organogram and written store management policy	Incorporate a complete **Organogram** with defined job responsibilities and incorporate a **Inventory management policy/SOP**	Organogram developed by this time. Standard Inventory practice is available. Written Inventory policy is under process
2	Authorization- *31 December 2014*	No defined approved authorities for store management	Implementation of **approve authorities**	Already established
3	Job evaluation & Training-*31 December 2014*	Job evaluation and training arrangement has not been conducted for Store personnel	Implement **job evaluation** and training at regular interval	Job evaluation established. Internal functional training in practice
4	Notification of goods receive-*31 December 2014*	No notifying documentation has been given to head office by warehouse at the time of receiving goods	Daily **receive/detchpach summary** may implement to notify the head office	In Practice
5	Warehouse/PO-*31 December 2014*	Warehouse received goods without knowing what was in the PO.	**PO** should be available to store keeper at the time of receiving goods in warehouse	In Practice
6	Bin Card-*31 December 2014*	No practice of maintaining Bin Card in warehouse	Application of **Bin Card** in warehouse	Temporary bin card is in practice. Permanent Bin card will be established after developing Racking system in Central Modern Warehouse
7	Reconciliation-*31 December 2014*	No reconciliation has been done between store and other department	Periodic reconciliation may implement between warehouse and project team	Planning stage
8	Return recording-*31 December 2014*	Warehouse received goods from project team but do not keep any record	Inform to keep record in register	In practice

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9	GRN-*31 December 2014*	GRN maintains by head office and warehouse is not aware	Implementation of making GRN by user whether goods received either by warehouse or by head office under **join signature. Quality Control report** is required to be obtained before receiving and recording the goods.	In practice
10	Documentation for WH to WH transfer-*31 December 2014*	No document has been issued for inter warehouse transfer	Implement documentation	Asset Transfer Form in practice
11	Issue & Disposal of inventory-*31 December 2014*	No standard form for issuance and disposal of inventory	Implement **standard form** for inventory issue and disposal.	In practice
12	Disposal management-*31 December 2014*	No set policy for disposal management	Implement **disposal management** policy	Under development process
13	Inventory report-*31 December 2014*	Rejected, damage, obsolete & slow moving materials were not kept and report separately	Initiative taken to keep and record these kind of materials separately	Already established
14	Surprise/periodic stock count-*31 December 2014*	No practice for surprise, periodic inventory count	Implementation of surprise, periodic inventory count	Already established
15	Access Control in Store-*31 December 2014*	Random accessibility of person other than store related need to be restricted from warehouse	Implement a register	Not appropriate
16	Reconciliation-*31 December 2014*	No reconciliation has been done between store ledger and head office record	Implementation of reconciliation	Not appropriate
17	Safeguard-*31 December 2014*	Fire fighting system, gate pass was absent	Incorporate fire fighting system and gate pass	Gate pass was absent
18	Materials are delivered without delivery challan from vendor's stores-*31 December 2015*	Materials are delivered from vendors' stores to users without proper documentation/ delivery challan	Create awareness to issue Delivery challan for any kinds of delivery	Partially followed
19	Materials returned from project sites without documentation/ Asset Transfer Form (ATF) -*31 December 2015*	Users are returning materials from sites without ATF	Create awareness to use ATF at the time of returning materials from sited	Currently users are using ATF at the time of sites return materials
20	Uncountable, long aged materials are laying in the open field-*31 December 2015*	OFC are laying in open field which is untied	OFC should keep and tied appropriately	Partially followed
21	Long aged OFC with Fiber @ Home Logo-*31 December 2015*	OFC with Fiber @ Home logo at Ashulia store are laying in the open field since two (2) years	Use this cable after taking approval from Bangladesh Cable Shilpa Sangstha	Already used after taking approval

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22	Items of inventory physically found but absent in stock register-*31 December 2015*	Items of inventory which is absent in stock report as well as in store ledger but physically found	Create awareness to include 100% items of inventory in store ledger	All materials are found in store ledger
23	Inventory physically found but absent in stock register due to pending Open Box Inspection (OBI) *-31 December 2015*	Items of inventory which is absent in stock report as well as in store ledger but physically found due to pending OBI	Create awareness to include 100% items of inventory in store ledger	No unrecorded items are found where OBI is pending
24	Long aged inventories-*31 December 2015*	Items of inventory were not moved since one (1) year/more than one (1) year	Long aged inventories should be monitored on a periodic basic and if no future use can ensure then dispose as per management decision	Long aged inventory exist
25	Faulty inventories-*31 December 2015*	Items of inventory, which have no longer use or which can be repaired, are recorded in the stock report.	SCL internal repairing section under Quality and Assurance department may take necessary steps to identify whether the faulty items can be repaired or not. Non repairable items of inventories can be disposed of as per management approval and reduce the storage cost.	Faulty inventory exist

Objectives

The objectives of this physical verification of inventories are:

- To confirm inventory balances at a certain point of time in terms of quantity
- To confirm inventory balances at a certain point of time in terms of quality
- To identify faulty/damaged/obsolete, slow moving items of inventory
- To check the correctness of reported inventory in financial statement
- To identify any weakness or anomalies related to warehousing, material handling, store ledger maintenance, keeping documentation and suggest possible improvements
- To assist management at all levels of the warehouses in the efficient and effective discharge of their duties and responsibilities

Scope

The scope of this verification is to observe periodic count of physical verification of 100% inventories.

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Observations and Recommendations

1.1 Open Box Inspection (OBI)

Observation

OBI is being performed only for foreign purchase whereas OBI for local purchase is not performing.

Recommendation

All procured items (local & foreign) should be under OBI. Also each GRN should authorize by respective user.

1.2 Access Control

Observation

Entry/Exit register is not maintained properly in both warehouses.

Recommendation

Warehouse security is responsible for recording each and every personnel as well each vehicle entry/exit in hard copy register.

Also, he should check each delivery with the copy of delivery challan and keeping a carbon copy with him for future audit trail.

1.3 Maker/checker or segregation of duties

Observation

Delivery challan as well as GRN are prepared and authorized by same person or sometimes no authorization has done.

Recommendation

Delivery challan and GRN or any document should be prepared by one person and authorized or reviewed by another person to confirm segregation of duties.

1.4 Warehouse insurance and security camera

Observation

None of SCL warehouses are insured and no security camera has been observed.

Recommendation

Both warehouses should under insurance coverage and security camera should establish for avoiding any unwanted incidents.

1.5 Warehouse space utilization

Observation

Unused/projects returned optical fiber cables are not keeping properly in Ashulia warehouse.

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Recommendation

Unused/projects returned optical fiber cables should keep in roll so that optimum space and fiber longevity can be ensured. On the other hand, all materials should keep in shaded place.

1.6 BIN card

Observation

No practice of maintaining permanent BIN card in warehouse has observed rather temporary BIN card maintenance.

Recommendation

Permanent BIN card (mentioning receipt, issue and balance) maintenance should be established in all warehouses.

1.7 Monthly stock reconciliation

Observation

No stock reconciliation has been performed with respective users.

Recommendation

Stock reconciliation should be performed by SCM with respective users by weekly mentioning opening balance **plus** weekly receipts **plus** project return receipts **minus** weekly issues (department wise) and send an email to all users as well as can keep this reconciliation file in common folder for transparency.

1.8 Issued GRN and Delivery Challan from Head office

Observation

Goods received and issued other than warehouse is not recorded in master store ledger.

Recommendation

Goods receipt and issue at any point should record in master store ledger and the documents should keep in warehouse archive.

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