

CHAPTER XXIII

VERIFICATION OF STORES AND FIXED ASSETS

1. Test Verification of Stores
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4. Disposal of Unserviceable Articles
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CHAPTER XXIII

VERIFICATION OF STORES AND FIXED ASSETS

1. Test Verification of Stores

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| <p>1.1 Stores Supervisory Officers and Heads of Departments of Study should check or cause to be checked at irregular intervals, but not less than once in three months, the stores in hand with the book-balances in respect of selected items of stores. The report of the test check should be filed of record for reference by Government Audit and Internal Audit.</p> | <p>Verification at irregular intervals</p> |
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2. Annual Verification of Stores and Fixed Assets

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| <p>2.1 All fixed assets and stores of the Commission and the Higher Educational Institutions/ Institutes as at the last date of Financial Year i.e. 31st of December, should be physically verified by Boards of Survey which will be appointed for the purpose.</p> | <p>As at 31st December</p> |
| <p>2.2 A Board of Survey should consist of a minimum of two responsible persons, other than and not immediately subordinate to the persons in physical charge of stores, inventory articles etc. to be verified. At least one of the members should be acquainted with the type of materials to be verified.</p> | <p>Composition of Boards of Survey</p> |
| <p>2.3 The Commission and each Higher Educational Institution/ Institute may appoint several separate Boards as may be required to facilitate, expedite and complete the survey within the stipulated period.</p> | <p>Several Boards where necessary</p> |
| <p>2.4 The Chairman of the Commission in consultation with the Secretary shall appoint Boards of Survey for the Commission Secretariat. Principal Executive Officers of the Higher Educational Institutions/ Institutes shall appoint Boards of Survey in respect of their institutions in consultation with Deans of Faculties and Heads of Departments of Study/ Registrars/ Secretaries/ any senior officers of the administrative staff attached to such institutions, as are applicable to each case.</p> | <p>Appointing Authority</p> |

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| 2.5 | The Secretary of the Commission, the Registrar of a University, the Secretary of a University College, or a senior officer of the administrative staff attached to a Campus or an Institute/Centre for Higher Learning shall function as the co-ordinating officer and supervise and co-ordinate the work of the annual verification of stores, assist and guide the members of the Boards and assist in the successful completion of the annual verification. | Co-ordinating
Officer |
| 2.6 | The Board of Survey shall verify all plants and machinery, motor vehicles and spares, tools and equipment including electrical and electronic items, furniture and fittings, books and periodicals, stationery and materials in stores, offices, libraries, laboratories, workshops, the university press or in any other premises belonging to the institution with or in the charge of teachers, officers and other employees of the institution and in all lands and buildings. | Responsibility
of Boards of
Survey |
| 2.7 | The process of verification means that the Boards of Survey must satisfy themselves by physical inspection or by suitable documentary evidence that ;

(a) the assets actually exist;
(b) they are owned by the institution concerned;
(c) all assets purchased or received as gifts and donations are recorded;
(d) they are properly valued;
(e) originality of the item; and
(f) they are in the custody of the proper party. | Verification
through
physical
inspection |
| 2.8 | The Boards of Survey should ensure a thorough and complete survey in every respect. | Complete
Survey |
| 2.9 | The Boards of Survey should be appointed by 15th of December of the relevant financial year and complete the physical verification on or before 31st January of the year immediately following. | Period of survey |

2.10 The duties of the Boards of Survey shall generally be as follows;

- (a) To examine the stock ledgers, inventory registers, assets register, fixed assets registers, tool books, etc. and satisfy that they have been properly posted up and balanced.
- (b) Check and compare the stock sheets with the ledgers, registers, etc. referred to above and ensure the correctness of the balances shown in the stock sheets.
- (c) Verify by personal inspection, the physical existence and quantity of items which the Board is required to verify.
- (d) Report generally on;
 - i. Unserviceable articles and unusable materials with recommendations for their disposal.
 - ii. Materials unaccounted for in the books of accounts, but found in the premises, yards, compounds, etc. articles, materials, equipment, etc. which appear to be excessive or surplus stocks, for example, materials purchased in large quantities in excess of normal requirements and lying in stock without being used regularly or frequently.
 - iii. Wastage, extravagance, idle capacity in the use of machinery, equipment, etc.
 - iv. The courses of action and suggestions conducive to better or fuller utilization or disposal.

Duties of
Boards of
Survey

2.11 Procedure:

- (a) The verification should not be confined only to the items shown in the stock sheets or schedules. All items found at the premises should be verified irrespective of the fact whether such articles are entered in the stock sheets/ schedules or not.

Verification
procedure

- (b) A separate list of items, not included in the stock sheets/ schedules, but found in the premises should be prepared and an explanation as to the ownership and as to why they are not taken into books should be obtained from the employee/s responsible.
- (c) An acknowledgement should be obtained from the employee/s, whom the Board considers responsible in respect of any items found and such items should be kept in charge of the said employee/s until such time further directions are issued for the disposal of such items.
- (d) All items subject to the survey should be physically verified and counted, measured or weighed, as the case may be and the quantity actually found should be entered in the relevant columns in the stock sheets or schedules.
- (e) Damaged or unserviceable items should be so indicated in the stock sheets with recommendations as to how such items should be disposed of.
- (f) Every item verified should be properly identified by the Boards. Should an item defy verification owing to difficulty in identification or because of other causes, a description of the item in question, its book balance and the reason for non-verification should be given in the stock sheets or schedules.
- (g) When verifying articles such as machines or instruments, the Board should take care to see that all components and parts thereof are intact and make a note of any deficiencies discovered or damages noticed.
- (h) Where damaged articles are produced for verification, the Board should satisfy itself that the parts or pieces shown are those of the identical article and that various parts and

pieces put together form the complete article. Notes should be made of the nature and extent of any damage or deterioration noticed.

- (i) If any member of the Board is unable to identify any article, instrument, equipment, etc. to his satisfaction, the Board may seek the assistance of a competent person.
- (j) The Store-Keeper or the officer, teacher or other employee whose store is being verified should himself or by his representative be present during the verification of the stores entrusted to him.

2.12 At the conclusion of the survey, the Board shall prepare a report in triplicate on the lines suggested in sub-paragraph 2.10(d) above whilst complying with the following instructions:

Reporting

- (a) Prepare and attach to the Report:
 - (i) a list of deficiencies and surpluses, including missing components and parts of items;
 - (ii) a list of unserviceable materials;
 - (iii) list of materials found in the location of the survey without being accounted for in the books;
 - (iv) a list of excessive and surplus materials/articles referred to in item (i), (ii) and (iii) of sub-paragraph 2.10 (d) above;
 - (v) the security measures adopted for the safe custody of stores and their adequacy, the arrangement and tidiness of stores, the maintenance of books and the Boards' conclusions thereon; and
 - (vi) any submissions, which the Boards may think opportune or advisable to make on the conduct of the survey or on matters incidental to or arising therefrom.

Contents of the report

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| (b) All copies of the report should be signed by all members of the Board and countersigned by any co-opted members where their assistance had been requisitioned. The dates of verification should also be given in the report. | Report to be signed by all members |
| (c) Every deletion, insertion or amendment in the report and copies thereof should be initialled by each and every member of the Board. | Every page should be initialled by the members |
| (d) A certificate from the person responsible for the stores or materials verified, to the effect that he produced all materials in his charge or otherwise found in the premises including unserviceable materials and that the verification was conducted in his presence and he is satisfied with the survey. | Certificate from the person in-charge of stores etc. |
| 2.13 The report of the Boards of Survey together with the stock sheets or schedules and any submissions in duplicate should be forwarded to the Appointing Authority or to any other officer authorised by him for this purpose on or before 10 th , February in the year immediately following. | Submission of survey report |
| 2.14 Before the Boards of Survey commence their work, the persons in charge of stores, equipment, etc. should take the following steps; | Preparatory work by persons in charge of stores |
| (a) Close the stores for transactions at least for one week, if necessary, to enable the stores to be arranged and stock ledgers, assets registers, register of vehicles, inventories etc. to be posted up and balanced. | Close stores for transactions |
| (b) Heads of Departments of Study/ Offices / Divisions/ Centres / Units should be notified in due time to draw items that would be required for urgent work during the period stores would remain closed. As far as possible, issue of items during the verification should be avoided. | Due notification to persons concerned |

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| (c) Stock receipts or Goods Received Notes should be written for items received up to the time of closing stores for the verification. | Stock receipts |
| (d) Ordering of items should be stopped at least one week ahead of the date of closing stores for the verification. | Ordering of items to be stopped |
| (e) Books should be closed and the unexecuted orders be carried forward to the ensuing year. | Books should be closed |
| (f) Any items that would be delivered after the stores are closed or received while the verification is in progress, should be kept separately in such a way that they will not form part of the items at the stores to be verified. | Items delivered after closure of stores to be kept separately |
| (g) The late receipts referred to in sub-paragraph (f) above should be produced to the Board, which will report such cases in their reports. | Late receipts to be produced to the Board |
| (h) Any items already received but not taken into stock on prescribed documents should also be kept separately and the Boards of Survey should be informed of such cases to enable the Boards to mention such cases in their report. | |
| (i) All samples of items received in the stores and retained should be kept separately supported by a list in duplicate and one copy should be handed over to the Board. | Samples received be kept separately |
| (j) All duplicate copies of unexecuted orders with the Store-Keeper or other officers receiving materials from suppliers should be returned to the Accountant of the Commission/ Bursar of the University/ Treasurer of the University College or the most senior financial officer of a Campus or an Institute / Centre for Higher Learning as the case may be, who will retain them until the verification is over and refer them back to the Store-Keeper or other relevant officers. | Unexecuted orders |

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| (k) All items in Stores and at other places should be properly arranged in such a way that they could be easily verified. Care should be taken not to mix up new items with used, serviceable or unserviceable items. | Proper arrangement for easy verification |
| (l) The persons in charge of stores, inventories, assets register, etc. should prepare the stock sheets or schedules in the prescribed forms in duplicate and have them ready to be delivered to the relevant Board of Survey at least on the first working day of the 2nd week of December. | Stock sheets and schedules to be made in duplicate |
| (m) Duplicate copies of the stock sheets or schedules should be sent as soon as they are ready to the person appointed by the Chairman of the Commission / Principal Executive Officer of the Higher Educational Institution / Institute as the case may be, to co-ordinate and supervise the work connected with the annual verification of stores (refer sub-paragraph 2.5 above). | |
| (n) The stock sheets and schedules referred to above should contain a clear description of the materials and the quantity of materials in stock. Reference to Bin Card Number and Stocks Ledger etc. as may be available should be given. | |
| (o) The Boards should cause general notice of the survey to be given to all persons having custody of stores, inventory articles, equipment to be surveyed, so that they may be in readiness to produce such articles, equipment, etc. when the Boards call over for their verification. | General notice of Board of Survey to all concerned |
| 2.15 Stock Verification Procedure for Libraries shall be carried out in accordance with provisions given in Appendix XIX | Stock Verification Procedure for Libraries |

3. Action on Reports of Boards

Immediately on receipt of the Report of the Board of Survey, the Appointing Authority should take or cause to take the following steps,

3.1 Obtain a report from the Board regarding the reconciliation of discrepancies and excesses and instruct the relevant Department of Study /Office / Division / Centre / Unit to finalize the destruction of destructible items, repairing of serviceable items and auctioning of items to be disposed on or before 28th February of the year immediately following.

Role of the appointing authority
Report on reconciliation of discrepancies and excesses

3.2 Forward a copy of the Report of the Board/s of Survey together with copies of stocks sheets/schedules and other annexes to the Auditor General and Chief Accounting Officer on or before 31st March of the year immediately following.

Report to the Auditor General and Chief Accounting Officer before 31st March

3.3 Obtain the explanations of the officers, teachers and employees responsible for the shortages, surpluses, losses, damages, etc., reported by the Board.

Explanations from officers responsible for lapses

3.4 Inquire and fix responsibility for the shortages, losses, damages and recover the replacement value of such shortages, losses and damages.

Fixing responsibility

3.5 Apart from recovery of replacement value, take disciplinary action against the person or persons responsible for shortages, losses and damages caused by delay, neglect, fault or fraud of a person or persons on account of non-compliance with instructions.

Disciplinary action

3.6 Cause the surplus materials, articles, equipment, books, etc., duly recorded in the relevant stock ledgers, registers, etc., maintained on prescribed forms.

Duly recorded

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| 3.7 Cause the materials, articles, equipment, books, etc., detected by the Board, but reported 'unaccounted for in the books of accounts', taken into the relevant stock ledgers, registers, etc., maintained on prescribed forms. | Unaccounted items to be recorded in prescribed forms |
| 3.8 Recommend to the Commission/ Governing Authority of the Higher Educational Institution/Institute concerned, the mode of disposal of excessive or surplus materials, articles, equipment, chemicals, etc., reported by the Boards. | Mode of disposal |
| 3.9 Report to the Commission/ Governing Authority of the Higher Educational Institution/Institute concerned, the cases of shortages, losses damages, etc., where either the responsibility cannot be fixed or the replacement value cannot be recovered, for instructions regarding the necessary adjustments in the books of accounts. | Reporting to the Commission/ Governing Authority |
| 3.10 Make observations to the Commission/Governing Authority of the Higher Educational Institution/ Institute concerned on the reported wastage, extravagance, idle capacity in the use of materials, machinery, equipment etc., for advice regarding the corrective measures to be taken. | Observations/ advice regarding corrective measures |
| 3.11 Take corrective measures and precautionary steps to rectify repetition of lapses and shortcomings reported by the Board/s of Survey. | Precautionary steps to be taken |
| 3.12 Immediately on receipt of the Report of the Board/s of Survey, the Co-ordinating Officer shall prepare a list of unserviceable articles reported by the Board, to be given to the Board constituted for the Survey of Unserviceable Articles. | List of Unserviceable Articles |
| 3.13 One copy of the list of unserviceable articles should be referred to the Head of the Department of Study/ Office/ Division/ Centre/Unit concerned, to make his recommendations regarding their disposal and to cause the unserviceable articles to be arranged for the survey. | One copy to the respective Head |

3.14 The course of action enumerated above should be completed on or before 10th April and a report including observations of the Board/s of Survey of unserviceable articles and recommendations, if any, to improve stores management and promote economy, should be sent to the Governing Authority of the institution concerned for their information.

Course of action to be completed before 10th April

4. Disposal of Unserviceable Articles

The unserviceable and condemned articles shall be disposed of by public auction or by open tender after public advertisement. If such unserviceable and condemned articles are unsuitable for sale or have no scrap value they should be destroyed. In the disposal of unserviceable and condemned articles the following instructions should be followed;

By public auction or open tender

4.1 Board/s of Survey for unserviceable articles for such Stores, Department of Study/Office/ Division/ Centre/Unit as the case may be, shall be appointed by the same authorities as in sub-paragraph 2.4 above to examine the unserviceable articles and make recommendations for their disposal.

4.2 The Board/s should not recommend the sale or destruction of any article, unless the Board/s are satisfied that such items are of no use to other Higher Educational Institutions/ Institutes or to the Commission.

4.3 The officer, teacher and other employee in whose custody the unserviceable articles remain, should make inquiries in advance, whether the unserviceable materials in their charge could be used in other Departments of Study / Offices/ Divisions / Centres / Units of the same institution / other Higher Educational Institutions / Institutes.

4.4 The Board/s may seek the advice of a competent person if it is unable to decide whether an article is unserviceable or not.

- 4.5 Immediately after the inspection, the Board/s should forward the list of unserviceable articles together with its recommendations in duplicate to the appointing authority.
- 4.6 If the appointing authority disagrees with the opinion of the Board/s, the matter should first be referred back to the relevant Board/s for reconsideration and subsequently referred to the Commission or the Governing Authority of the institution for a decision.
- 4.7 The Chairman of the Commission or the Principal Executive Officer of the Higher Educational Institution / Institute shall after due consideration of the recommendations of the Board/s constituted for survey of unserviceable articles and of the Heads of Departments of Study / Offices / Divisions/ Centres / Units etc. give an order condemning the articles, specifying clearly the mode of disposal, subject to sub-paragraph 4.9 below.
- 4.8 Where the Board constituted for survey of unserviceable articles has not made recommendations for the disposal of any unserviceable article, such cases should be referred to the Commission/ Governing Authority of the institution concerned for a decision.
- 4.9 Any unserviceable article, the purchase price of which bears a significant value should not be condemned and authorised for sale or destruction, unless the recommendations of the Board constituted for survey of unserviceable articles, has been independently checked by competent persons acceptable to the Chairman of the Commission or the Principal Executive Officer of the Higher Educational Institution/ Institute concerned.
- Sale or
destruction of
items of high
value is
prohibited until
the
Head of the
institution
gives consent

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| 4.10 Quick Disposal of accumulated Disposable Items: | Quick Disposal
method |
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- Chairman of the Commission or the Principal Executive Officer of the Higher Educational Institution/ Institute is authorized to dispose accumulated disposable assets of their institutions quarterly by using the most suitable action out of the courses of action given under the Quick Disposal Method which is specified below;
- (a) If a Board of Survey has already been conducted and has identified items to be disposed of, they should be disposed immediately in the following manner;
- (i) Unserviceable tyres should be handed over to the Coast Conservation Department
 - (ii) Handing over to the following Government Institutions by transferring inventories or handing over with written evidence to the effect that those goods were issued and received.
 - Items of goods required by the Sri Lanka Army, Air Force, Navy and the Police (e.g. Office equipment and furniture etc.)
 - To the Department of Prisons for vocational training purposes (e.g. office equipment, machinery and equipment, computers, etc.)
 - To Sri Lanka Technical College and other Vocational Training Institutes for technical education (e.g. office equipment, machinery, worn out motor spares)
 - Government Schools (e.g. office equipment and furniture)
 - (iii) Items of goods which should be disposed of and could be sold and derive an income should be sold to the employees of the Commission /

Higher Educational Institution/ Institute concerned or should be auctioned or sold by calling for quotations.

- (iv) Any items of goods which cannot be disposed as mentioned above should be destroyed according to paragraph 5 below.
- (b) If a Board of Survey has not been conducted, the following courses of action could be taken with regard to identified disposable items ;
 - (i) Until an annual verification of stores is conducted, Board of Survey could be appointed (in respect of items of goods or assets which have been discarded or beyond repairs or repairing is not economically viable) and recommend for their disposal.
 - (ii) The items of goods recommended for disposal should be listed, so that they could be clearly identified and action should be taken to note that those listed items have been written off from stock books and registers of assets
- (c) The Commission and the Higher Educational Institutions/ Institutes however, should ensure that all other procedures relating to the disposable items, laid down in this Chapter are followed and action is taken to hold Annual Board of Survey on the due dates and periods.

5. Sale or Destruction of Articles

5.1 The following rules must be observed in connection with the sale or destruction of an unserviceable article;

Rules regarding sale or destruction

- (a) The scrap value of the condemned articles to be put up for sale shall be obtained from the

Value should be obtained from

<p>respective Heads of Departments of Study/ Offices/ Divisions/Centres/ Units prior to the sale of such articles under confidential cover to be kept with the Co-ordinating Officer, vide sub-paragraph 2.5 of this Chapter.</p>	<p>respective Heads and kept under confidential cover</p>
<p>(b) The mode of sale of unserviceable articles whether by auction or calling sealed quotations, depends on the value of the item to be disposed of, based on the estimation of external expert/ valuation officer (as approved by the appointing authority).</p>	<p>Mode of sale</p>
<p>(c) Reasonable publicity must be given of the notice of sale either by tender or auction to employees of the Commission/ Higher Educational Institution/ Institute and then to the general public.</p>	<p>Reasonable publicity</p>
<p>(d) The terms and conditions of the sale should be made available to the bidders or tenderers.</p>	<p>Terms and conditions to the bidders</p>
<p>(e) The scrap value recommended by the External Expert/ Valuation Officer (as approved by appointing authority), may be taken as the standard price when considering bids at auctions or tenders. However, any bid or tendered price which is 90% of the standard price may be accepted.</p>	<p>Standard price</p>
<p>(f) A suitable person holding not less than the rank of a Senior Assistant Registrar or a Senior Assistant Bursar in the case of Higher Educational Institutions/ Institutes or an Assistant Secretary or above of the Commission should be appointed to conduct the auction sale and the destruction of condemned articles.</p>	<p>Officers to conduct the auction</p>
<p>(g) The tender for the sale of condemned articles shall primarily be considered by a Tender Board appointed by the Chairman of the Commission or the Principal Executive Officer of the Higher Educational Institution/ Institute concerned. The recommendations of the</p>	<p>Responsibility of the Tender Board</p>

Tender Board will be sent back to the Chairman of the Commission or the Principal Executive Officer of the Higher Educational Institution/ Institute concerned for his final decision to determine the acceptance of any or the rejection of all such tenders or parts thereof.

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| (h) | No article sold should be allowed to be removed, until approval under (g) above has been given and the price is paid in full. | Price to be paid in full before removal of articles |
| (i) | The identification marks of the Commission/ Higher Educational Institution/ Institute on each and every article sold should be obliterated before such articles are released. | Identification marks be obliterated |
| (j) | Articles ordered to be sold but for which no bids have been received or sold but not removed may be otherwise disposed of as directed by the approving authority in (g) above, provided the scrap value of such article recommended by the external expert / valuation officer (as approved by appointing authority) is insignificant. Such article where the scrap value recommended by the external expert / valuation officer (as approved by the appointing authority) is fairly considerable, should be put up for sale again and if no bids are received for the second time they may be disposed of as directed by the approving authority in (g) above. | When no bids are received or not disposed of |
| (k) | A member of the Tender Board should be present at the sale and at the authorised destruction of articles. | Presence of a member of the Tender Board |
| (l) | A certificate from the member of the Tender Board and the person conducting the sale, with regard to the articles sold and prices realised should be obtained. | Certifications |
| (m) | A certificate from the members of the Tender Board and the persons authorised to destroy condemned articles or the articles destroyed | |

and the mode of destruction should be obtained.

- 5.2 A list of condemned articles sold or destroyed, together with copies of the orders condemning and authorising their disposal should be sent to the Auditor General and a copy should be filed of record in the appropriate Department of Study/ Office/ Division/ Centre/ Unit of the Commission/ Higher Educational Institution/ Institute concerned.

Copies to the Auditor General

6. Accounting

- 6.1 All articles sold, destroyed or otherwise disposed of, should be written off from the Fixed Assets Register, Inventory Books and Stores records as the case may be, by following Financial Regulations that prevail at the time of such disposal.
- 6.2 Proper accounting should be made for the profit or loss on disposal of assets and revenue derived from the disposal of goods and assets should be brought to accounts.

Write off from the Fixed Assets Register etc.

Revenue to be brought into accounts