



**PPA**

**BEST PRACTICE GUIDELINES FOR**

**WHOLESALE STOCK CONTROL**

**& RETURNS SYSTEMS FOR**

**MAGAZINES, COLLECTIBLES AND PROMOTIONAL**

**VOUCHERS**

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STOCK CONTROL & RETURNS SYSTEMS  
JUNE 2003

## **INTRODUCTION**

These guidelines have been prepared to assist wholesalers' understanding of the requirements for fully auditable stock control and returns processing systems, capable of generating computerised 'Affidavit' credit claims which may be transmitted to publishers using agreed methods of electronic communication such as EDI.

Publishers and their distributors need to preserve the integrity of such systems to ensure they are able to discharge their accountabilities to the Audit Bureau of Circulations, of which they are members.

The scope of these guidelines includes procedures for magazines, collectibles and promotional vouchers.

Any wholesaler (or group of wholesalers using a common system) wishing to introduce or significantly amend such a system will be required to submit a written proposal, to the PPA for approval.

All proposals will firstly be validated by the PPA Technical Services Panel (TSP), a sub-group of the Newstrade Committee, comprising specialist managers. Systems are then subject to the approval of the Newstrade Committee. The TSP will ask for a trial period for the system under discussion, where considered necessary, allowing the validation process to be completed.

After approval the PPA Technical Services Panel reserves the right to conduct periodical re-checking.

PPA approval does not automatically imply that all publishers will allow a wholesaler to operate the *certified stock control & returns system* on their titles. Approval must be sought individually from publishers or their distributors as appropriate.

### **1. REQUIRED STOCK CONTROL AND RETURNS PROCESSING PROCEDURES FOR 'AFFIDAVIT' APPROVED SYSTEMS**

#### **1.1 Introduction**

This section describes the procedures to be followed by wholesalers operating 'affidavit' approved systems to generate credit claims for unsold SOR copies.

Publishers reserve the right to accept ONLY affidavit systems they consider to meet the criteria below.

#### **1.2 Approval**

The objective of these guidelines is to describe the standards of operation that the PPA expects from wholesalers who wish to retain approval for their stock control and returns processing system.

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1.3 **Overview of 'Affidavit' Criteria**

These criteria apply to the following areas:-

- a) Computer system with EDI capability and other agreed electronic communication systems for future development
- b) Control of goods received
- c) Issue identification control
- d) Delivery to retailers
- e) Returns collection procedures
- f) Early returns
- g) Returns processing procedures
- h) Keyed data input procedures
- i) Showroom/ stockroom procedures
- j) Secure disposal of unsolds
- k) Validation principles
- l) Audit trail

1.4 **Computer System with EDI Capability and other agreed electronic systems for future development**

- a) The goods receipt, stock control, recall, returns processing and credit claim generation procedures must be within a computer system, which can be externally audited.
- b) Access to the system must be to authorised persons only and include:
  - i) A unique operator log-in identification and password.
  - ii) Regular changing of passwords as permitted by wholesalers' normal operating systems.
  - iii) Users having sole responsibility for the secrecy of their password (which may also be known to the system manager where necessary).
  - iv) The identification of transactions to individual users.
- c) The system must identify each issue individually.
- d) Publishers must be attributed to issue level, not magazine level.
- e) Publisher claims period must be associated with each issue.
- f) The system must have the ability to produce recall notes to retail customers, showroom(s)/stockrooms and merchandisers where appropriate. It must also produce affidavit unsolds claims to publishers.

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- g) The computer system must have the capability to:
  - i) Receive publishers' electronic issue files/ product calendars by EDI or other agreed electronic format
  - ii) Produce an affidavit unsolds claim in an agreed format, and transmitting it to publishers/distributors via the agreed network.
- h) Audit trail data will be available for a minimum of six months from off sale date, of a particular title, in computer format. Paper documents, e.g recall notes, where in use, will be retained for a minimum of two months.

1.5 **Control of Goods Received**

All activities concerned with the control of goods received must be accountable to a named member of staff.

Upon arrival, the delivery must be checked against the details shown on the consignment record, and this is to be signed accordingly **with the date and time of arrival**. The checking may be undertaken within agreed publisher deadlines.

Regular quality control checks to support best operational practice will be undertaken by counting the 'odds' bundle and at least one 'stock' bundle for accuracy of packing.

In the event of a pallet exchange system being operated with the appointed carrier, the number of exchangeable units must be signed for upon receipt, and outstanding units from previous deliveries released to the carrier upon request.

Details of all titles, issues and quantities received on a delivery will be logged into the wholesaler's computer system without undue delay. Wholesalers will log into their computer systems the actual quantities received and not what is detailed on the delivery note.

All shortages and over-deliveries will be reported to the publisher/distributor in accordance with their individual requirements. If the original shortage is subsequently found within another part of the consignment or elsewhere on the wholesalers' premises the wholesaler should report this as soon as possible to the publisher/ distributor.

Wholesalers' computer systems will provide an auditable record of all shortages and over-supplies reported to publishers/distributors. At audit, any evidence of over-supplies or under-supplies, as a result of an original delivery shortage, not being reported to publishers will result in recharges or credits.

1.6 **Issue Identification Control**

When magazines are delivered the wholesaler will ensure that a check is made for correct title, issue, cover price and on sale date. Bar codes will be checked against publisher/distributor issue file information. Any discrepancy or problem should be notified immediately to the wholesaler's head office or to the normal publisher/distributor contact.

If there is a problem with the bar code, publishers/distributors will require wholesalers' best endeavours to process separately all affected issues.

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1.7 **Delivery to Retailers**

Wholesalers will take all reasonable steps to ensure that delivery of magazine supplies to retailers is conducted securely. Delivery to 'secured areas' and the use of sealed security boxes is recommended.

1.8 **Returns Collection**

All activities concerned with the collection of returned unsold copies will be accountable to named members of staff.

Wholesalers will take all reasonable steps to ensure that collection of returned unsolds from retailers is conducted securely. Collection from 'secured areas' and the use of sealed security boxes is recommended.

The wholesaler will provide a recall note to retail customers at least ~~twice~~ **four times** a week. This will assist customers to identify unsold copies of titles and issues due for return. The recall note should be returned with the unsold copies as required by wholesalers.

The retailer's recall note must indicate the following:

- a) A unique customer identification.
- b) Details of the issues to be returned, with issue date/number and SOR allowance.
- c.) Where tote boxes are NOT in use it is expected that the wholesaler will provide retailers with pre-printed labels to identify their bundles. Otherwise wholesalers should encourage retailers to clearly identify their returns bundles.

The retailer should write on the recall note:

- d. The number of parcels returned.
- e) Quantities returned.
- f) Retailer's signature and date of return.

1.9 **Early Returns**

Early returns must be handled in accordance with joint industry agreements between publishers, wholesalers and retailers.

1.10 **Returns Processing Procedures**

All activities concerned with the processing of unsold returned copies will be accountable to named members of staff.

All returns parcels will be processed within three days of receipt. All retailer returns, showroom stock, merchandiser stock and stock from all other stock control areas will be individually bar code scanned and attributed to the correct issue date.

An auditable report must be produced from the scanning process.

**a) Bar Code Scanning**

- i) Copies will be scanned individually and once only. There must be no opportunity for scanned copies to be confused with those yet to be scanned.
- ii) Each returned copy from whatever source will be processed once only.

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- iii) Any non-scannable issues or queries will be processed manually via the query station or general office in line with section 1.10 d) below

Under exceptional circumstances such as system or scanner failure, it may be necessary to input the whole of a recall note manually. Such input must be authorised in advance and subsequently checked by a member of the house management team. Both authorisation and checking will be verified by the appropriate manager's signature. The word 'manual' will be written next to the checker's signature.

Management will ensure that the same customers' returns are **not** manually inputted regularly.

- iv) Each bar code scanning operator will 'sign on' at the beginning of their scanning period and 'sign off' at the end, using their unique user identification and password.
- v) Control information from the scanning operation will indicate the operator, plus the time and date of scanning. As a minimum requirement it will also show: title scanned, issue identification, quantity scanned and the retailer.

#### **b) Processing Verification Checks**

- i) An anonymous check will be carried out prior to scanning and then cross-checked after scanning. As a minimum, the equivalent of 3% of the customer base at one parcel per customer will be checked across the week. Parcels selected must reflect a cross section of the retailers serviced, specifically paperless returns retailers. A record will be kept for inspection.

**...plus...**

- ii) Where manual input is undertaken via the general office, a minimum of 10 per cent of all keyed or non-scanned entries will be checked and signed by a second operator, not involved in their original input.
- iii) Evidence of these checks will be made available for audit purposes, along with the results of the variance analysis. These should include reasons for the variance and details of action taken. This evidence will be signed as complete by a manager.
- iv) Processed recall notes will be kept securely filed for a minimum of two months from the off sale date.

#### **c) Paperless Returns**

Where a paperless returns system is in operation the following conditions must apply:

- i) A recall note will be sent to the retailer **twice at least four times** weekly to allow them to check that all recalled copies have been sent back to the wholesaler.
- ii) Steps will be taken to ensure security of transit of returned copies/bundles back to the wholesaler.
- iii) To ensure accuracy of processing, the wholesaler will operate anonymous pre-scan checking, as detailed in 1.10 (b) (i) above.

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**d) Query Stations**

Copies which cannot be counted by normal bar code scanning must be processed through a 'Query Station' for keyed or special scanned input. Records of all entries through the query station must be auditable to provide a full record of activities for each scanning day.

**e.) Manual Processing**

It is not expected that manual methods will be undertaken as a regular means of processing unsolds. However on occasion, such as in the event of power, computer failure or non scannability it may be unavoidable. Under these circumstances it is expected that the following procedures will be adopted:

- i) Each copy will be counted and checked against the recall note for issue validity. There will be no opportunity for processed copies to be confused with those still to be counted.
- ii) Each recall note will be processed once only.
- iii) Any discrepancies will be marked on the recall note at each stage of processing (returns room, punch room, verification etc).
- iv) The recall note will be signed by the operator responsible for each stage of processing.
- v) A verification check will be made of a minimum 10 per cent sample per week of data entries keyed to the computer system. This check will be separately verified and signed by another member of staff.
- vi) Evidence of these checks will be made available for audit purposes, along with the results of the variance analysis. These should include reasons for the variance and details of action taken. This evidence will be signed as complete by a manager.
- vii) Processed recall notes will be kept securely filed for a minimum of two months from the date of processing.

**f.) Vouchers**

Voucher systems and associated audit trails should follow the structure of the publication unsolds process.

- i. Recall and Return: Voucher recall notes should be issued to retailers each week and envelopes provided to enable secure return to wholesalers.
- ii. Processing: Vouchers should be processed for retailer credit after receipt to ensure credit is passed on the next available weekly invoice. Scanning of vouchers is the preferred option but if manual entry systems are used 10% of all input should be verified by a second operator.

Processing of vouchers should follow the disciplines of unsold publication processing as follows:-

- a.) Copies should be processed once only.
- b.) Processing actions should be attributed to a specific operator.
- c.) Copies should be removed from the processing area as soon as possible to a secure location awaiting disposal or return to the publisher's designated address.

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- d.) Secure disposal should be actioned daily but no less than once per week.
- e.) Returns to publishers designated address should be actioned once per week.
- f.) If an affidavit arrangement is in place a detailed audit trail must be available.

iii. Out-sourcing: If voucher processing is out-sourced to an agency it is the wholesalers responsibility to ensure that the processes employed meet the individual publisher requirements.

**g.) Collectibles**

It is noted that collectible product is unable to be scanned at present. Therefore, returns will be processed as per the Manual Processing section 1.10 e).

Returned product will be stored securely until publishers/distributors agree a mutually acceptable collection date with the wholesalers. Any stock moved back into the showroom/stockroom will be processed as per section 1.11 f) in the Showroom/Stockroom Procedures.

The wholesaler's stock control system will be capable of indicating current stock in both secure returns area and showroom/stockroom at any time upon enquiry. Credit claims will be handled in line with individual publisher requirements.

1.11 **Showroom/ Stockroom Procedures**

**The counting actions detailed should be recorded on the appropriate documentation or specifically input and recorded on the computer system with audit trail access available to these transactions.**

- a) All activities associated with stock movement into and out of the showroom/stockroom will be accountable to a named member of staff.
- b) When a title has been packed for despatch to retail customers, all copies left over will be transferred to the showroom/stockroom at the earliest opportunity.
- c) The exact quantity of such copies must be checked by counting them in the packing area. This quantity will be noted on a copy of the packing list, or other appropriate documentation, which will accompany copies on their transfer to the showroom/stockroom. The quantity will be verified by the signature of the person accountable in the packing area.
- d) On arrival at the showroom/stockroom it is recommended that all copies be re-counted. The total counted for each title should be verified on the transfer document by the signature of the person counting them in the showroom/stockroom. Each total will be compared with the totals counted in the packing area.

All discrepancies will be reported to a nominated manager, who will decide whether the discrepancies are to be investigated further.

- e) All sales made through the showroom/stockroom will be recorded specific by title and issue. Stock records will be updated immediately, concurrent with the sale being registered. Audit trail evidence will be available for all such sales.
- f.) Early returned copies, or other stock being used to supplement trade counter/showroom stock, will not be included in the credit claim made to publishers/distributors. Such

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copies will be subject to 'return to stock' procedures, and no claims lodged on the system until the notified recall date.

All such transfers of stock will be recorded immediately in the stock control system.

Issue specific evidence must be available to verify these transactions.

- g) The wholesaler's stock control system will be capable of indicating current stock available for sale in the showroom/stockroom at any time upon enquiry.
- h) Copies remaining unsold in the showroom/stockroom at the end of publications' on-sale periods will be withdrawn under control of recall documentation. It is expected that the showroom/stockroom/stockroom will be treated as an individual retail 'box' or stock control area within the wholesaler's operational system. In either case an audit trail will exist.

A check will be made of actual stock removed against the stock balance predicted by the computer system. All significant variances between actual and predicted stock must be subject to further investigation.

- i) Showroom/stockroom unsolds will be recalled and processed immediately each day. On request by an auditor copies shall be stored securely and available for audit on the day of recall. The showroom/stockroom recall note or waste sheet will be kept with the copies.
- j) Unless specific agreement has been obtained from publishers/distributors, unsolds will be processed by bar code scanning, and where possible only one claim per title/issue will be made.
- k.) Arrangements for copy uplifts by publishers, or carriers on their behalf, will be made in advance. The copies will be recorded in the Stock Control System, immediately on removal from the Showroom/Stockroom, and will be kept securely and clearly labelled as "overs for collection," prior to uplift.

All copies will be strapped, and no loose copies will be returned. The Publishers documentation will be signed by the shift manager and Publishers agent during handover, to include quantity, date, and time.

1.12 **Secure Disposal of Unsolds**

- a) All activities concerned with the secure disposal of processed returned copies will be accountable to a named member of staff.
- b) **Secure Storage.**  
Unless a prior arrangement has been made between a publisher/distributor and the wholesaler for copies to be retained, the following will apply to all returned copies immediately after scanning or manual processing in the returns area:

Copies will be removed after returns processing to containment in a means of secure storage approved by the PPA. Such secure storage will ensure that all copies are isolated from unauthorised access until removal for final destruction by a waste contractor and method approved by the PPA.

Copies held in secure storage will be held as loose copies and not as bundles.

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- c) **Final Disposal**  
The wholesaler will ensure that the copies held in secure storage as above are removed from the premises and disposed of by, or on behalf of, a waste contractor in accordance with the provisions below.
- All such waste contractors, and the methods they employ, will be approved by the PPA.
- All magazine waste skips will be locked **and** security sealed before removal from the premises by a waste contractor.
- Where magazine waste storage cages are used, all will be subject to strict administrative controls including the following:
- Records will be maintained showing the weight of each waste consignment removed from the premises and the weight received at the point of final destruction. Such records will be made available for inspection by representatives of publisher/distributors on request. Publishers/distributors may also request weights obtained at intermediate transit stages.
- No changes will be made to the method of disposal without agreement of the PPA.
- d) Unless a prior arrangement has been made between the publisher/distributor and the wholesaler all promotional gifts associated with unsold issues, will be put to waste securely. House management will ensure all such material is wasted securely.
- e) Each wholesaler must possess a current contract with:
- i) The agency responsible for final destruction of processed waste, **or**
  - ii) The organisation responsible for carriage of processed waste to the point of final destruction. The contract will reflect current arrangements in operation.
- f) All wholesalers (or a central office) will be required to provide written evidence of all destruction agreements existing between their waste carriers and the agency responsible for final destruction. These will reflect current arrangements in operation.
- g) It is also required that wholesalers (or a central office) inspect the methods used by the agency responsible for final destruction of copies to ensure they prohibit the 'leakage' of copies back into the market. A minimum of two checks will be undertaken each calendar year, with a record of the findings and any agreed corrective actions retained for inspection by publishers/distributors.
- h) Any change in the waste carrier, the method of final disposal, or the agency used will be notified in writing to the PPA prior to the change becoming effective.

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1.13 **Validation Principles**

**Wholesalers will apply the following validation principles to all credit claims made to publishers/distributors.**

- a) The credit claim by the wholesaler will not exceed the supply or SOR allowance, whichever is the smaller.
- b) The credit claim by the wholesaler for each individual retailer or trade counter etc, will not exceed the quantity supplied to that retailer, showroom/ stockroom etc.
- c) The credit claim by the wholesaler for each individual retailer will not exceed the credit given to that retailer.
- d) Credit will not be given unless there is a valid returns claim from a retailer.
- e) Credit will not be claimed from publishers/distributors in respect of retailers unsold copies, unless the wholesaler has passed back corresponding credit to those retailers. Credit must only be claimed for copies that have been credited to a bona fide retailer within the claims period.

An audit trail will be available for inspection by representatives of publishers/distributors to substantiate all claims and credit transactions. The above validating principles are subject to the provision of unique cover barcodes.

1.14 **Audit Trail**

It is required that the following elements comprising the 'Affidavit' credit claims audit trail will be made freely available on request, representatives of publishers/distributors conducting audits on the stock control and returns processing system. The requested documentation will be prepared in advance, so that it is ready for immediate review at the commencement of the audit.

- a) Goods received system and pack records.
- b) Completed recall notes from retailers, showroom/stockroom(s), merchandisers etc as appropriate.
- c) Customer level and stock control area records of all supplies returns and credit given, by issue, with issue summary.
- d) Computer generated credit claim document to the publisher/distributor.
- e) Records verifying trade counter opening and closing stock.
- f) Scanning report, including scanning stations and query stations.
- g) Claims rejection report.
- h) Invoice/credit note record to retailer.
- i) Stock movement records (to include inter-house transfers and retailer supply adjustments).
- j) Records of retailers making frequent claims for short deliveries or missing bundles.

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- k) Standing agreement for the secure disposal of waste. Independent evidence of secure ultimate destruction will also be required.
- l) Evidence of each waste consignment removed, signed by the waste contractor. This will also indicate the weight of each consignment removed where available.
- m) Proof of verification checks as in 1.10 a iii) and 1.10 b iii) above.
- n) All reports will be kept for a minimum of six months from the off sale date of a particular title, in computer format.
- o) Sales data to box or stock location level, and the audit trail information described above will be available for a minimum of six months from off sale date, of a particular title, in computer format. Paper documents, e.g. recall notes, will be retained for a minimum of two months
- p) Documentation confirming shortages and over deliveries that have been reported to the publisher/distributor will be available for a minimum of six months from off sale date, of a particular title, in computer format. Paper documents, e.g. recall notes, will be retained for a minimum of two months

All staff should be fully trained and aware of operational and disciplinary procedures.

It is expected that system user manuals and company procedure guidelines will be available to all staff covering every aspect of the operation.

ANMW/PPA standard notice (see overleaf) should be copied and prominently displayed throughout each wholesale depot, emphasising the serious nature of unauthorised removal of magazines, newspapers, vouchers and free gifts.



## PRODUCT HANDLING SECURITY

- **Magazines/Newspapers/Vouchers/Free Gifts/Collectibles**

**Can only be removed from these premises for authorised:-**

**Distribution  
Disposal  
Destruction  
Return to Publisher**

- **This is company policy and a contractual requirement of the publishers**
- **Failure to comply will result in disciplinary action against any individuals involved**