



# **INVENTORY POLICY**

**1 JULY 2015 – 30 JUNE 2016**

**MSUKALIGWA  
LOCAL MUNICIPALITY**

**(MP 302)**

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## DEFINITIONS

- “CFO”** shall mean the Chief Financial Officer of the Municipality;
- “inventory”** shall mean all inventory of the municipality, including the stores referred to in section 7;
- “storekeeper”** shall mean the person appointed as storekeeper under section 4.1 below.

## **1. OBJECT OF POLICY**

1.1. The object of this policy is to regulate the management, administration and control of inventory in the municipality.

## **2. SCOPE OF POLICY**

2.1. This policy applies to all inventory kept within and outside the store building under supervision of the storekeeper.

## **3. STOREKEEPER**

3.1. The CFO shall appoint a person in the Finance Department of the municipality as storekeeper.

3.2. The storekeeper shall be responsible for:

3.2.1. the safekeeping of inventory in accordance with section 5;

3.2.2. the receiving and issuing of items of inventory from the store rooms;

3.2.3. the maintaining of a proper record keeping system for inventory;

3.2.4. the performance of such other tasks as may be assigned to him or her according to the relevant job descriptions or the procedures referred to in section 7.

## **4. SAFEKEEPING OF INVENTORY**

4.1. Inventory shall, until it is issued, at all times be safeguarded and kept in a suitable protected area. Wherever practical, such area shall be in an enclosed place, the entrance to which shall be locked.

4.2. No unauthorised entrance to any such area is permissible. Authorisation to enter such area may be granted only by the Divisional Head Supply Chain Management.

4.3. No person other than storekeeper, or any other person designated by the CFO, may have access to any keys for such area.

4.4. No person other than the storekeeper, or any other person designated by the CFO, may have control over the administration of inventory.

## **5. ITEMS RECEIVED**

5.1. All items received will be acknowledged by issuing of a goods received note as prescribed by the CFO.

5.2. Such acknowledgement must state:

5.2.1. the firm that was contracted with;

5.2.2. the date of receipt;

5.2.3. the type of items received;

5.2.4. the quantity of each item;

5.2.5. the invoice and delivery note numbers applicable;

5.2.6. the unit price of each item;

5.2.7. the total price of each item;

5.2.8. the total price of all items according to invoice.

5.3. The storekeeper shall enter the details referred to in 6.2 in the register as prescribed by the CFO.

## **6. PROCEDURES FOR THE ORDERING, RECEIPT, MAINTENANCE, ISSUING AND DISPOSAL OF STORES**

6.1. The procedures for the Ordering, Receipt, Maintenance, Issuing, and Disposal of Stores are contained in the Annexure hereto.

6.2. Such procedures shall be incorporated in and form part of this policy, and shall be adhered to accordingly.

6.3. The CFO shall be responsible for ensuring that such procedures are complied with.

6.4. Where no particular person is charged in any particular procedure with the duty of carrying out such procedure, the CFO shall designate a person or persons within the Finance Department of the Municipality to carry out such procedure.

**7. VALUATION OF INVENTORY**

- 7.1. Inventory are valued on the principle of the first-in-first-out method as stated in the inventory register, such cost to be determined with every receipt and issue of stock. Such value will be disclosed in the annual financial statements of the municipality.
- 7.2. In cases of slow-moving, expensive items, a valuation shall be obtained in writing from specialist suppliers of such items, on the basis of which the cost shall be adjusted in the records of municipality.

**8. INSURANCE OF INVENTORY**

- 8.1. The CFO shall insure inventory on at least a yearly basis with the municipality's appointed insurance firm.
- 8.2. The amount inventory shall be insured at shall not be less than the amount as determined in accordance with section 7 above.

**9. CERTIFICATE OF ENDORSEMENT:**

- 9.1. This Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing, approved by council and been signed by the Speaker. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.

## INVENTORY PROCEDURE MANUAL

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI	APPLICABLE POLICY
<b>1.</b>	<b>Ordering of Stores:</b>				
1.1	Stores reorder levels must be set for all items.	Ongoing	Chief Financial Officer	Yes	Supply Chain Management Policy and Inventory management policy
1.2	A reorder listing should be printed monthly and reviewed by the Stores Controller.	Ongoing	Chief Financial Officer/ Delegated personnel	Yes	Inventory Management Policy
1.3	The Stores Controller: <ul style="list-style-type: none"> <li>Must use the listing as a primary source of information to complete the purchase requisition; and</li> <li>Should also consult the Engineers about stores required for planned maintenance</li> </ul>	Ongoing	Chief Financial Officer/ Delegated personnel	Yes	Inventory Management Policy
1.4	The purchase requisition must be completed in duplicate, with one copy kept in the requisition book and an original copy forwarded to the Supply Chain Management Policy	Ongoing	Chief Financial Officer /Delegated personnel	Yes	Supply Chain Management Policy
1.5	Management section. Procurement of stores material should be done in compliance with Supply Chain Management Policy management procedures.	Ongoing	Chief Financial Officer /Delegated personnel	Yes	Supply Chain Management Policy
1.6	A copy of the purchase order form will then be forwarded by the Supply Chain Management Policy Management section to the stores section.	Ongoing	Chief Financial Officer/ Delegated personnel	Yes	Supply Chain Management Policy
1.7	The order must be matched to the requisition copy to verify that the correct quantities and correct items have been ordered.	Ongoing	Chief Financial Officer/ Delegated personnel	Yes	Supply Chain Management Policy
1.8	Orders must thereafter be filed in date sequence.	Ongoing	Chief Financial Officer/ Delegated personnel	Yes	Supply Chain Management Policy
1.9	This file must form the basis for follow up of orders and for matching goods that are delivered to stores  The orders file should be reviewed daily by the Stores Controller and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately.	Ongoing	Chief Financial Officer/ Delegated personnel	Yes	Supply Chain Management Policy
<b>2.</b>	<b>Receipt of Stores:</b>				
2.1	Stores material will be delivered to the receiving area where the documentation will be recorded and then forwarded to the Stores Controller.	Ongoing	Chief Financial Officer (Receiving Section)	Yes	Inventory Management Policy

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI	APPLICABLE POLICY
2.2	The receiving official must match the delivery note to the purchase order, and fill out a pre-numbered goods received note.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
2.3	The Stores Controller must compare the delivery to the relevant order before accepting the goods.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
2.4	The goods received note must be signed by the Stores Controller as proof of acceptance of the goods.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
2.5	A stores register which reflects full particulars of receipts and issues must be maintained by the Stores Controller and updated immediately when goods are received or issued.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
2.6	Stores materials that are unused after the completion of the work or the fulfillment of the purpose for which they were issued, must be returned to the store and must be included in stock.	Periodically	Head of Section	Yes	Inventory Management Policy
2.7	Sections returning the remaining stores on the completion of work, must send to the Stores Controller an advice note detailing the stores that were returned.	Periodically	Head of Section	Yes	Inventory Management Policy
2.7	The Chief Financial Officer should trace a sample of these advice notes to the stores register on a periodic basis.	Periodically	Chief Financial Officer	Yes	Inventory Management Policy
<b>3.</b>	<b>Maintenance of Stores:</b>				
3.1.	Stores and equipment belonging to the Council must be clearly marked/ bar-coded as such, to indicate ownership.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
3.2	Stores belonging to the Council shall be kept in a place approved of by the Chief Financial Officer, subject to the conditions he or she determines.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
3.3	No section shall carry stores in excess of its normal requirements, as may be determined by the Chief Financial Officer.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy and Banking and Investment
3.4	Designated officers will be responsible for the safe custody of stores issued to their section, and must, if requested to do so by the Chief Financial Officer, furnish full details of any stores held by their section.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
3.5	The Chief Financial Officer shall ensure that at least once every financial year, stock-taking of all stores of the Council takes place as follows:	Quarterly	Chief Financial Officer	Yes	Inventory Management Policy

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI	APPLICABLE POLICY
3.5.1	The financial year-end stock take will take place on the last day of the financial year or as close to that date as possible.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.2	All Heads of Sections and the Council's external auditors must be notified of the date of the annual year end stock take.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.3	Stores must be closed at noon the day before stock take. A notice to this effect must be prominently displayed on the stores notice board.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.4	In the case of an emergency, stores may only be issued on the explicit authority of a designated official.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.5	Prior to stock take, the Stores Controller must ensure that all transactions up to the date of stock take, have been recorded. All goods received notes, requisition issues and goods returned notes should be entered onto the stores register.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.6	An official delegated the responsibility, shall make available stock take listing sheets to auditors for recording the physical count figures.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.7	Stock items must be counted in an orderly fashion from one end to the other, by persons not dealing with stock on a regular basis.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.8	Stock that has been drawn for use at a later date, should be included in the stock-count and not expensed. Consumables should also be included in the stock-count and not expensed.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.9	After each item is counted, they must be marked with a sticker to indicate that they have been counted.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.10	After each item is counted, the total must be entered onto the stock sheets.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
	Stock sheets must be signed by counters and checkers.	Annually	Chief Financial Officer		Inventory Management Policy
3.5.11	On completion of the count, all stock sheets must be handed to the Chief Financial Officer.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.12	Physical count figures will be verified to the computerised listing. The Stock Controller should not be involved in any aspect of this verification.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
	Should any discrepancies arise, a recount of the product is done, and the requisition entries are re-checked.	Annually	Chief Financial Officer	Yes	Inventory Management Policy



NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI	APPLICABLE POLICY
3.5.13	All write-offs of obsolete or damaged stock should be authorised by the Chief Financial Officer.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.14	The Chief Financial Officer shall submit a report stating the quantity and value of any surplus or shortage of stores revealed by the stock-take, together with the reasons for this, who may then require the Stores Controller to furnish him with reasons for any shortages, in writing.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.15	The Chief Financial Officer shall then report such surpluses and shortfalls to the Council for further steps to be taken, if necessary.	Annually	Chief Financial Officer	Yes	Inventory Management Policy
3.5.16	A thorough internal control system must be established by the Chief Financial Officer to ensure that when a change of officials responsible for stores and equipment takes place, accountability with regard to losses and deficits can be clearly established.	Periodic	Chief Financial Officer	Yes	Inventory Management Policy
4.	<b>Issue of Stores:</b>				
4.1	Only the Stores Controller will be authorised to issue goods from the storeroom.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
4.2	Stores should only be issued in terms of a properly authorised requisition form.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
4.3	Specimen signatures of all persons authorized to sign requisitions shall be supplied to the Stores Controller.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
4.4	If the signature is not of an authorised official, the requisition should be sent back to the respective section.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
4.5	The Stores Controller must verify that the correct vote is entered on the requisition for the type of goods requested and that there is sufficient budget provision against the vote.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
4.6	An issue note must then be completed and printed in duplicate. Control of the issue book is the responsibility of the Stores Controller.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
4.7	The Stores Controller and the recipient of goods must agree that the goods requisitioned, agree to the goods drawn from stores, which is consistent with	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy

NO.	<i>PROCEDURE</i>	FREQUENCY	RESPONSIBILITY	KPI	APPLICABLE POLICY
4.8	the issue note.  The recipient must sign the issues note/book as evidence that the goods stated on the issue note, have been received.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
4.9	Once the stores have been issued, the stores register must be updated by the Stores Controller.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
4.10	The issue note and the requisition must be filed in sequential order.	Ongoing	Chief Financial Officer	Yes	Inventory Management Policy
5. 5.1  5.2	<p><b>Disposal of Stores:</b></p> <p>The Chief Financial Officer must furnish the Council with a list of stores to be disposed of, together with the reasons for their disposal.</p> <p>The stores disposed of in the instance referred to above may only be handed over to the purchaser on full payment of the purchase price, or when other satisfactory arrangements for payment have been made with the Chief Financial Officer.</p>	Periodically  Periodically	Chief Financial Officer  Chief Financial Officer	Yes  Yes	Supply Chain Management Policy  Supply Chain Management Policy
5.3	Stores may be disposed of by public auction provided that the approval of Council is obtained.	Periodically	Chief Financial Officer	Yes	Supply Chain Management Policy

