

**EPHRAIM MOGALE LOCAL MUNICIPALITY INVENTORY
POLICY**



Ephraim Mogale Local Municipality

INVENTORY POLICY

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INVENTORY POLICY

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1. Definitions

The following words and phrases shall, when used in this policy, have the following meanings:

- 1.1 "CFO" shall mean the Chief Financial Officer of the Municipality;
- 1.2 "inventory" shall mean all inventory of the municipality, including the stores referred to in section 7;
- 1.3 "storekeeper" shall mean the person appointed as storekeeper under section 4.] below,

2. Object of Policy

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

3. Scope of Policy

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

4. Storekeeper

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

4.2 The storekeeper shall be responsible for:

- 4.2.1 the safekeeping of inventory in accordance with section 5;
- 4.2.2 the receiving and issuing of items of inventory from the store rooms;
- 4.2.3 the maintaining of a proper record keeping system for inventory;
- 4.2.4 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.

5. Safekeeping of Inventory

- 5.1 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.
- 5.2 No unauthorised entrance to any such area is permissible. Authorisation to enter such area may be granted only by the Manager Supply Chain Management.

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

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

6. Items received

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

6.2 Such acknowledgement must state:

- the firm that was contracted with;
- the date of receipt;
- the type of items received;
- the quantity of each item;
- the invoice and delivery note numbers applicable;
- the unit price of each item;
- the total price of each item;

the total price of all items according to invoice.

6.3 The storekeeper shall enter the details referred to in 6,2 in the register as prescribed by the CFO.

7. Procedures for the Ordering, Receipt, Maintenance, Issuing and Disposal of stores

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

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

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

7.4 Where there is 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

7.5 Inventory are valued on the principle of **the Weighted Average Costing** as stated in the inventory register, such cost to be determined with every receipt and

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issue of stock. Such value will be disclosed in the annual financial statements of the municipality.

- 7.6 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.

CERTIFICATE OF ENDORSEMENT:

The Agreement to 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 and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.

ANNEXURE

PROCEDURES FOR ORDERING, RECEIPT, MAINTENANCE, ISSUING AND
DISPOSAL OF STORES

N O	PROCEDURE	FREQUENCY
	<p>Ordering of Stores:</p> <p>Stores reorder levels must be set for all items by the CFO</p> <p>A reorder listing should be printed daily and reviewed by the Storekeeper</p> <p>The Storekeeper:</p> <ul style="list-style-type: none"> • Must use the listing as a primary source of information to complete the purchase requisition; and • Should also consult the Technical Department about stores required for planned maintenance <p>The purchase requisition must be completed in duplicate, with one copy kept in the requisition book and an original copy forwarded to the buying section</p> <p>A copy of the purchase order form will then be forwarded by the buying section to the stores section</p> <p>The order must be matched to the requisition copy to verify that the correct quantities and correct items have been ordered</p> <p>Orders must thereafter be filed in date sequence</p> <p>This file must form the basis for follow up of orders and for matching goods that are delivered to stores goods that are delivered to stores</p> <p>The orders file should be reviewed daily by the Storekeeper and any orders, which have not been delivered as per the agreement with the Ongoing buyer, must be followed up immediately.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
	<p>Receipting of Stores</p> <p>Stores will be delivered to the receiving area where the documentation will be recorded and then forwarded to the Storekeeper.</p> <p>The receiving official must match the delivery note to the purchase order, and fill out a pre-numbered goods received note</p> <p>The Storekeeper must compare the delivery to the relevant order before accepting the goods</p> <p>The goods received note must be signed by the Storekeeper as proof of acceptance of the goods</p> <p>The goods received note must be signed by the Storekeeper as proof of acceptance of the goods</p> <p>A stores register which reflects Rill particulars of receipts and issues must be maintained by the Storekeeper and updated immediately when goods are received or issued</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Periodically</p>

	<p>The CFO shall then report such surpluses and shortfalls to the Council for further steps to be taken, if necessary.</p> <p>A thorough internal control system must be established by the CFO 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</p>	<p>Annually</p> <p>Annually</p>
<p>4</p>	<p>Issue of Stores</p> <p>Only the Storekeeper will be authorised to issue goods from the storeroom,</p> <p>Stores should only be issued in terms of a properly authorised requisition form.</p> <p>Specimen signatures of all persons authorized to sign requisitions shall be supplied to the Storekeeper.</p> <p>If the signature is not of an authorised official, the requisition should be sent back to the respective section.</p> <p>The Storekeeper 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.</p> <p>An issue note must then be completed and printed in duplicate. Control of the issue book is the responsibility of the Storekeeper.</p> <p>The Storekeeper and the recipient of goods must agree that the goods requisitioned, agree to the goods drawn from stores, which is consistent with the issue note.</p> <p>The recipient must sign the issues note/book as evidence that the goods stated on the issue note, have been received.</p> <p>Once the stores have been issued, the stores register must be updated by the Storekeeper.</p> <p>The issue note and the requisition must be filed in sequential order</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>5</p>	<p>Disposal of Stores</p> <p>The CFO 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 CFO</p> <p>Stores disposed of by public auction provided that the approval of Council is obtained.</p>	<p>Periodically</p> <p>Periodically</p> <p>Periodically</p>