



Ephraim Mogale Local Municipality

2011/12 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

INVENTORY POLICY

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 4.1 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 Divisional Head 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 first-in-first-out method 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

NO.	<i>PROCEDURE</i>	FREQUENCY
1.	Ordering of Stores:	
1.1	Stores reorder levels must be set for all items by the CFO.	Ongoing
1.2	A reorder listing should be printed daily and reviewed by the Storekeeper.	Ongoing
1.3	The Storekeeper: <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 	Ongoing

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NO.	<i>PROCEDURE</i>	FREQUENCY
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 buying section.	Ongoing
1.5	A copy of the purchase order form will then be forwarded by the buying section to the stores section.	Ongoing
1.6	The order must be matched to the requisition copy to verify that the correct quantities and correct items have been ordered.	Ongoing
1.7	Orders must thereafter be filed in date sequence.	Ongoing
1.8	This file must form the basis for follow up of orders and for matching goods that are delivered to stores	Ongoing
1.9	The orders file should be reviewed daily by the Storekeeper and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately.	Ongoing
2.	Receipt of Stores:	
2.1	Stores will be delivered to the receiving area where the documentation will be recorded and then forwarded to the Storekeeper.	Ongoing
2.2	The receiving official must match the delivery note to the purchase order, and fill out a pre-numbered goods received note.	Ongoing
2.3	The Storekeeper must compare the delivery to the relevant order before accepting the goods.	Ongoing
2.4	The goods received note must be signed by the Storekeeper as proof of acceptance of the goods.	Ongoing
2.5	A stores register which reflects full particulars of receipts and issues must be maintained by the Storekeeper and updated immediately when goods are received or issued.	Periodically
2.6	Stores 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
2.7	Sections returning the remaining stores on the completion of work, must	

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NO.	<i>PROCEDURE</i>	FREQUENCY
2.8	<p>send to the Storekeeper an advice note detailing the stores that were returned.</p> <p>The CFO shall trace a sample of these advice notes to the stores register on a periodic basis.</p>	<p>Periodically</p> <p>Periodically</p>
3.	<p>Maintenance of Stores:</p> <p>3.1 Stores and equipment belonging to the Council must be clearly marked/ bar-coded as such, to indicate ownership.</p> <p>3.2 Stores belonging to the Council shall be kept in a place approved of by the CFO, subject to the conditions he or she determines.</p> <p>3.3 No section shall carry stores in excess of its normal requirements, as may be determined by the CFO.</p> <p>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 CFO, furnish full details of any stores held by their section.</p> <p>3.5 The CFO shall ensure that at least once every financial year, stock-taking of all stores of the Council takes place as follows:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>3.5.4 In the case of an emergency, stores may only be issued on the explicit authority of a designated official.</p> <p>3.5.5 Prior to stock take, the Storekeeper 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.</p> <p>3.5.6 An official delegated the responsibility, shall make available stock take listing sheets to auditors for recording the physical count figures.</p> <p>3.5.7 Stock items must be counted in an orderly fashion from one end to the</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Annually</p> <p>Annually</p> <p>Annually</p> <p>Annually</p> <p>Annually</p> <p>Annually</p> <p>Annually</p> <p>Annually</p>

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3.5.8	other, by persons not dealing with stock on a regular basis.	
3.5.9	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
3.5.10	After each item is counted, they must be marked with a sticker to indicate that they have been counted.	Annually
3.5.11	After each item is counted, the total must be entered onto the stock sheets.	Annually
3.5.12	Stock sheets must be signed by counters and checkers.	Annually
3.5.13	On completion of the count, all stock sheets must be handed to the CFO.	Annually
3.5.14	Physical count figures will be verified to the computerised listing. The Stock Controller should not be involved in any aspect of this verification.	Annually
3.5.15	Should any discrepancies arise, a recount of the product is done, and the requisition entries are re-checked.	Annually
3.5.16	All write-offs of obsolete or damaged stock should be authorised by the CFO.	Annually
3.5.17	The CFO 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 Storekeeper to furnish him with reasons for any shortages, in writing.	Annually
3.6	The CFO shall then report such surpluses and shortfalls to the Council for further steps to be taken, if necessary.	Periodic
	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.	
4.	Issue of Stores:	
4.1	Only the Storekeeper will be authorised to issue goods from the storeroom.	Ongoing
4.2	Stores should only be issued in terms of a properly authorised requisition form.	Ongoing
4.3	Specimen signatures of all persons authorized to sign requisitions shall be supplied to the Storekeeper.	Ongoing

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4.4	If the signature is not of an authorised official, the requisition should be sent back to the respective section.	Ongoing
4.5	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.	Ongoing
4.6	An issue note must then be completed and printed in duplicate. Control of the issue book is the responsibility of the Storekeeper.	Ongoing
4.7	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.	Ongoing
4.8	The recipient must sign the issues note/book as evidence that the goods stated on the issue note, have been received.	Ongoing
4.9	Once the stores have been issued, the stores register must be updated by the Storekeeper.	Ongoing
4.10	The issue note and the requisition must be filed in sequential order.	Ongoing
5.	Disposal of Stores:	
5.1	The CFO must furnish the Council with a list of stores to be disposed of, together with the reasons for their disposal.	Periodically
5.2	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.	Periodically
5.3	Stores may be disposed of by public auction provided that the approval of Council is obtained.	Periodically