



INVENTORY POLICY

2024/2025

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

DOCUMENT PREPARATION

Date	Author	Revision	Signature
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DOCUMENT APPROVAL

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1. INTRODUCTION

- a) This Policy document is deemed necessary in order to facilitate the effective management, control and maintenance of the inventory.
- b) This document shall be subjected to further changes.
- c) There is one stores where municipal inventory is kept, the Main Stores situated at Callaway Street.

2. AIMS / OBJECTIVES OF THE POLICY

- a) The objective of the Inventory Policy is to ensure that the inventory of the King Sabata Dalindyebo Municipality is properly managed and accounted for by:
 - [i] Ensuring the accurate recording of inventory information;
 - [ii] The accurate recording of inventory movements;
 - [iii] Exercising strict physical control over all inventory (*Security, safekeeping, housekeeping*);
 - [iv] Providing correct and meaningful management information in conjunction with other disciplines and functions of inventory management;
 - [v] Compliance with Council's Inventory Procedures;

3. RESPONSIBILITY (PHYSICAL CONTROL OF INVENTORY)

- a) The responsibility for the physical control of inventory rests with the Budget and Treasury Office (BTO). The inventory section is inter alia the integral part of Supply Chain Management.
- b) Although certain responsibilities and accountability lies solely on the hands of the Chief Financial Officer (CFO), the Assets and Stores Manager is by *delegation the custodian* of municipal inventory.
- c) The system, by which the inventory is maintained and managed, is contained in the *Inventory Procedure Manual*.

N.B. Each department shall, when need arises, request inventory from the municipal stores where it is kept.

4. AUTHORITY AND DELEGATED POWERS

4.1. Heads of Departments must approve/recommend all inventory movements which relate to:

- [i] Acquisition of inventory
- [ii] issuing of inventory.

4.2 The Chief Finance Officer and where necessary his/her duly designated official shall:

- [i] Ensure implementation of the approved Inventory Policy;
- [ii] Verify inventory in possession of the Council twice a year;
- [iii] Receive from the Inventory Management section a detailed report on the inventory verification exercise.
- [iv] Keep a complete and balanced record of all inventories in possession of the Council;
- [v] Report in writing all stock imbalances to the Council;
- [vi] Ensure that the reconciliation is balanced monthly.

5. CATEGORISATION OF INVENTORY

The categorisation of inventory will be according to warehouses:

1. Warehouse 1 being general items like, stationery, cleaning material, garden utensils, building material, household material, chemicals, cement and paint etc.
2. Warehouse 2 being car parts and oils.
3. Warehouse 5 being electrical materials.
4. Warehouse 6 being fuel (petrol and diesel) and Lubricants.
5. Warehouse 15 being Electrical materials previously expensed and written back into the Inventory Account.

6. ACQUISITION OF INVENTORY

The process to be followed when inventory is acquired shall be in accordance with the Council's Procurement Policy, Delegation of Authority Policy and Payment Procedures. This shall apply to all the types of Council's inventory contained in Chapter 11 of Supply Chain Management Act No. 56 of 2003.

- 6.1. Stock on hand report is generated to get the minimum stock level of the inventory on the system and checking the physical stock level. The following procedure for purchasing an inventory shall be followed:

- i) Prepare Memo and attach the list of the items need to be acquired and send to SCM;
- ii) Memo is signed by requester, Manager Assets and Store, GM Assets and Accounting and CFO
- iii) SCM will send requisition for capturing on the system.
- iv) Requisition to be authorized by Manager Assets and Stores, Budget and CFO.
- v) After authorization SCM send purchase order to Stores and Service provider.

7. RECEIVING OF INVENTORY

7.1. When goods are received, the following process should be followed:

- i) The quantity and the quality received from the suppliers must be according to the specification and information on the order form.
- ii) Check if the quantity and quality of goods are correct.
- iii) All incorrect delivery items are rejected and clearly identified on both copies of the delivery note and or invoice.
- iv) The supplier signs all amendments.
- v) Recording of goods delivered on Goods Received Notebook.
- vi) Upon receiving the invoice from the creditors section, stores keeper must sign the invoice.
- vii) The Manager Assets and Stores stamps and signs the invoice.
- viii) The invoice to be send to creditors section for capturing; and
- ix) After capturing goods, stores update the system for goods to reflect on the system.
- x) The inventory received must then be stored in the municipal stores by the Stores Officer and the goods received number and quantities captured on the bin card by the stores officer.

8. ISSUING OF INVENTORY ITEMS

8.1. MAIN STORES INVENTORY:-

Inter departmental requisitions are done on the automated Promun system. The goods are issued on request using requisition numbers. The following process must be followed when issuing:

- I. Storekeeper must receive requestion number from departments and check if it is reflecting on the system and make a printout for that requisition number.
- II. At the stores, the storekeeper records the quantity of goods issued on the Bin Cards.
- III. Storekeeper issues the goods to the departments, and the following people must sign printout:
 - a) The issuer
 - b) The requester

- c) The Security guar
- d) The senior Storekeeper

8.2. FUEL ISSUING

8.2.1. FUEL CARD LIMITS

8.2.1.1. The limit on the fuel cards per vehicle shall be determined by the Fleet Manager and The General Manager: Accounting and Asset Management monthly after assessing the usage of vehicles except the Executive vehicles.

8.2.1.2. No vehicle may be requested to fill up above the monthly limit set.

8.2.1.3. No vehicle may fill up twice a day except for a vehicle that is moving out of the KSD jurisdiction and has valid permits.

8.2.2. RESPONSIBILITY OF THE FUEL CARD HOLDER AND BTO

8.2.2.1. The fuel card holder is solely responsible on the use of fuel card.

8.2.2.2. The fuel card holder is fully and solely responsible for all expenditure occurring using the fuel card and may use the fuel card only for the following categories of expenditure:

- a) Filling of fuel and oil, toll gates after complying with all the Fleet Management policy and Inventory Policy and other standard operating procedures.
- b) Servicing of vehicles after complying with all Fleet Management policy and standard operating procedures.

8.2.2.3. The fuel cards are kept at the Budget and Treasury Office and upon the issuing of the card a driver must sign off and when returning the card, he/she must sign again.

8.2.2.4. After filling up the driver must return the card together with the slip to the Budget and Treasury Office.

8.2.2.5. The Mqanduli unit cards will be kept by the GM/head of Mqanduli nominated by the Municipal Manager and every Monday the GM/head of Mqanduli must submit invoices to the Budget and Treasury Office.

8.2.2.6. The Budget and Treasury Office is responsible for checking fuel card usage and reconciliations to ensure that:

- a) Supporting documents are attached as required by the standard operating procedures and usage.

- b) The descriptions fall under categories allowed by all municipal policies.
 - c) Deducting all un-reconciled and non-business expenditure from the fuel card holder's salary in the next payroll run.
 - d) All unsupported expenditure (i.e. no vouchers, slips or invoices) will be deemed non-business expenditure and treated accordingly.
 - e) Should the fuel card holder find the vouchers or slips not previously submitted, the fuel card holder will be re-imbursed in the next payroll run.
- 8.2.2.7. Any lost cards, the replacement will be solely for the responsibility of the fuel card holder (driver).
- 8.2.2.8. The departments are responsible for ensuring the fill up of vehicles where the fuel cards are lost by the driver of that department up until the cards are replaced.
- 8.2.2.9. No other alternative will be made by the Budget and Treasury Office to fill up the vehicle while the card is lost or damaged by the department's driver.
- 8.2.2.10. The Budget and Treasury Office will order the cards lost or damaged and the driver pays cash the cost of the card lost/damaged.
- 8.2.2.11. The Budget and Treasury Office will inform on a monthly which fuel filling station to be used and every driver and department should comply to this requirement.
- 8.2.2.12. All Departments must make sure that they fill up the vehicles to be utilized over the weekend and Public Holidays a day before in order to avoid inconveniences. Only on special arrangements shall fuel be issued on Weekends and Public Holidays.

9. REPORTS AND DISCLOSURE

- 9.1.1. Receipts and order register.
 - 9.1.2. A reorder level listing shall be printed by Stores and reviewed on a weekly basis by the Stores Accountant.
 - 9.1.3. Stock levels are also important factor to keep in mind when deciding how much stock shall be ordered at a specific point in time.
 - 9.1.4. The minimum level of stock depending on the average usage of stock and the time it takes to deliver the ordered stock.
- 9.2. The Finance Department will generate a monthly report on inventory movements.

The reporting must also apply to the following:

- [i] Slow Moving.
- [ii] Obsolete
- [iii] Auctions.
- [iv] Loss or damaged

9.3. Heads of Departments:

- [i] Shall at all times ensure that there are enough funds in the budget before approval of any requisitions.
- [ii] Shall ensure that the correct vote and description are being used before authorising any requisitions.

10. INVENTORY COUNT

10.1. The new system of inventory count shall be implemented for accuracy of stock counting. *There shall be an interim stock count once a year*, as well the inventory count performed annually at year end. (using pre numbered stock sheets)

10.2. A counting team shall be requested from the Departments for counting. Before the stock count commences the counting team shall be given the count instructions.

10.3. The municipality shall invite office of the Auditor General to observe the end of year stock count.

10.4. The municipality shall request all departments for people to perform stock counts; the head of every department selects a stock count team. Count teams shall be made up of 2 people, a counter and checker;

10.5. After correction (when need arises) the counters shall sign on the stock sheets, one being the counter the other checker.

10.6. Completed stock sheets shall be reviewed by the Stores Accountant to ensure that quantities and inventory descriptions are accurate. Completed stock sheets shall be captured on excel spread sheets.

10.7. After stocktake and capturing has been done, a report has to been done comparing physical and the stock on the system.

10.8. Inventory count is done every year end (June) and an independent team shall be appointed to perform the stock count. Internal staff shall perform the interim inventory count once a year. In the instance of variances between the stock count results and the Promun System (periodic stock records) a recount is performed by one of the teams, in the company of the stores Accountant or Senior Storekeeper.

10.9. The stock adjustments shall be sent to the Manager Asset and Stores, General Manager -Assets and Accounting and subsequently to the CFO for authorization and then to the Council for approval.

11. RECORDING OF INVENTORY

11.1. The accounting clerks/accounting intern shall record the necessary information in the relevant sub-system accounts. Posting of inventory entries/adjustments are done manually in the journal form by Stores Accountant and sent to accounting division for capturing into the system. The accounting clerk shall then update the control account in the General Ledger. Entries for inventory related items are approved by Assets & Stores Manager.

11.2. The Assets & Stores Manager shall review the general ledger and the sub-system for reporting. If there are any adjustments and/or journals that need to be passed, then journal forms shall be filled in the stores section and transferred to the accounting department for processing. The CFO shall review the journals and approve them for processing.

11.3. Inventory reconciliations shall be performed monthly, between the stock listing (sub-ledger) and the general ledger, in case of errors these shall be corrected by means of journals.

11.4. The reconciliations shall be reviewed by Manager Assets and authorized by GM-Assets and Accounting, then the CFO reviews the journal and approves it before updating in the system.

11.5. Stock is reported in the statement of financial position under current assets.

12. DISPOSAL OF INVENTORY

12.1. Inventory may be disposed of by auction, as a result of redundancy or damaged.

12.2. The Council shall give fourteen (14) days' notice in the newspaper circulating within its area. Such notice shall also be affixed to all Notice Boards at the Council's offices.

12.3. Council may resolve to donate any of its inventory to organisations / individuals and persons within its area of jurisdiction. It may decide from within itself to establish a committee or delegate the donation function to the BTO, (Budget and Asset Management Standing Committee) to make proposals.

- 12.4. The Municipal Council shall approve the disposal of all inventories that is earmarked to be auctioned.

13. HOW IS INVENTORY DISPOSED?

- 13.1. All inventories are to be disposed of in 3 ways i.e. by sending it to the Municipal Landfill Site after approval by Municipal Manager, ie. if the items are damaged beyond repair, auctioneering and donation. When the items to be disposed of have been identified, a public notice in the local newspaper shall be made inviting applications from charity organisations and schools.
- 13.2. After the necessary authorisation has been obtained, the following procedure for disposing of an inventory must be followed:
- i) Stores Accountant shall identify the redundant and damaged stock.
 - ii) Head of Department (BTO) shall seek authorisation from the Municipal Manager for the disposal of the identified stock items.
 - iii) These items will be kept in safe-keeping (municipal stores).
 - iv) Necessary procedures to be followed by the Asset and Stores Manager.

14. VALUATION METHOD

- 14.1. Inventory shall be valued in line with *Weighted Average* method.

15. WRITING OFF OF ITEMS

- 15.1. All items to be written off must be approved by Municipal Council, authorised by Municipal Manager after recommendation by the Head of Department.

16. NON-COMPLIANCE WITH THE POLICY

- 16.1. Section 171 of the MFMA stipulates what financial misconduct is in the municipality.



16.2. Cognizance is given to section 9 of the Treasury Regulations which stipulates disclosure of the unauthorised, irregular expenditure or fruitless and wasteful expenditure in the financial statements and the disrepute caused to the organisation as a result. It is therefore acknowledged that such shall form the basis of determining the extent of disciplinary action to be taken and not only for the amounts for material transactions.

This policy shall be reviewed annually.

A handwritten signature in black ink, appearing to read 'N. Pakade', is written over a horizontal line.

N. PAKADE
MUNICIPAL MANAGER

Resolution Number: **SVCM 786/05/24**