



cogta

Department:  
Co-operative Governance and Traditional Affairs  
PROVINCE OF KWAZULU-NATAL

# INVENTORY MANAGEMENT POLICY

DW

## INTRODUCTION

1. This policy has been developed to ensure that stationery purchased and distributed is fully controlled, recorded and accounted for and the related costs are adequately managed.

## DEFINITIONS

2. In this Policy, unless the context indicates otherwise–

(a) a word or expression, to which a meaning has been assigned in the PFMA and the National Treasury Regulations, has the same meaning;

(b) clause headings are for convenience only and will not be used in its interpretation, and the following expressions bear the meanings assigned to them and similar expressions bear corresponding meanings:

**“delegated authority”** means the official who is given the authority for relevant functions in terms of the department’s written delegations;

**“inventory”** means materials or supplies to be consumed in the rendering of services;

**“Inventory Controller”** means the official responsible for the receipt, issue, recording and safekeeping of consumable stores;

**“Inventory Manager”** means the official responsible for ensuring the cost-effective and efficient management of inventory items;

**“obsolete inventory”** means items that has expired, or is redundant or damaged;

**“PFMA”** means the Public Finance Management Act, 1999 (Act 1 of 1999);

**“re-order level”** means the level of inventory, at which stock must be replenished;

**“Responsibility Manager”** means the official responsible for the budget of an organisational unit; and

**“stationery requisition form”** means a written request to the stores supervisor to supply specified goods.

### **OBJECTIVE**

3. The objective of this policy is to outline the procedures in respect of Inventory Management to ensure that inventory is controlled and managed effectively and efficiently, as well as to ensure control in the replenishment of stock, setting of stock level, receiving and issuing, stores management and delivery of stock to end users.

### **APPLICATION**

4. This policy applies to all officials who are responsible for Supply Chain Management, specifically Stores Management and related functions within the Department.

### **LEGAL FRAMEWORK**

5. This policy must be read in conjunction with--

(a) sections 38(1)(b), 38(1)(c)(ii), 38(1)(c)(iii), and 38(1)(d) of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

(c) regulations 10.1.1 and 10.1.2 of the Treasury Regulations made in terms of the PFMA; and

(d) the Supply Chain Management Guide for Accounting Officers dated February 2004.

### **MANAGEMENT OF INVENTORY**

6.(a) The Supply Chain Management unit is responsible for the management of inventory and stationery items, ensuring proper administration of stationery stores.

(b) Inventory must be reviewed and routine reconciliations of stationery inventory records and counts performed.

### **RECORDING OF INVENTORY/STATIONERY**

7.(a) All inventory items, including a description of each item, must be recorded in an inventory register, attached hereto as Annexure A.

(b) In order to maintain updated and complete inventory records, all movement of inventory items must be recorded in the inventory register without delay.

(c) The inventory register must be printed monthly and the hard copy filed in chronological order to maintain a proper audit trail.

(d) Re-order and optimum inventory levels must be documented on the inventory record once they have been determined.

(e) Inventory may be purchased once the predetermined stock level is reached or when a request is received for an item, which is out of stock.

### **RECEIPT OF INVENTORY**

8.(1) The quantity and quality of the goods received from suppliers must be according to specifications.

(2) The invoice must match the supplier name and order number, and the VAT number, where applicable, must be clearly marked on the supplier delivery note and invoice.

(3) The inventory controller must ensure that–

(a) all delivery notes are signed;

(b) all incorrect delivery items are rejected and clearly identified on both copies of the delivery note; and

(c) the supplier signs all amendments.

### **ISSUING OF INVENTORY**

9.(a) Only the Inventory Controller is authorised to issue goods from the storeroom.

(b) Stationery must be ordered not later than Wednesday of every week, and all stationery requisitions, excluding requisitions for toner and ink cartridges, received after Wednesday will be issued on the following Wednesday.

(c) The Business unit requiring stationery must complete a stationery order form which is obtainable from the Supply Chain Management unit or on the supply chain management link on the Intranet, provided that items may only be issued in terms of the authorised departmental stationery requisition form, attached hereto as Annexure B.

(d) The departmental requisition form must be signed by the Responsibility Manager or delegated official.

(e) The requisition form must be ruled off immediately below the last item to prevent items being added once the requisition is authorised.

(f) The Inventory Controller must verify that the inventory items ordered match the requisition form.

(g) The identified official authorised to submit the departmental requisition form and receive the goods must acknowledge receipt of the inventory items in writing.

(h) Inventory items must be issued and used for official purposes only.

## **STORAGE OF INVENTORY**

10.(1) Inventory items must be stored in a secured, exclusive use area, under lock and key, with limited authorised access only, and the responsibility for the custody of the storeroom keys must be allocated by the Responsibility Manager or delegated authority to the Inventory Controller, in writing, who is accountable for its use.

(2) All inventory items must be stored separately with proper segregation of items.

(3) Inventory items must be clearly labelled for easy identification, with inventory bin cards identifying each individual inventory item and aiding in the physical verification of the items, provided that the details must include the following:

- (a) catalogue number;
- (b) item description;
- (c) unit of issue;
- (d) quantity received;

- (e) quantity issued;
- (f) re-order level or quantity; and
- (g) closing stock.

(4) Due diligence and care must be exercised to prevent damage of, or deterioration of inventory items.

(5) Due regard must be given to any safety standards, which may apply to the storage of certain inventory items.

(6) Steps must be taken to ensure the safe custody of inventory items, including precautions against loss or theft.

#### **INVENTORY COUNT**

11.(1) Inventory items must be counted quarterly, to be in line with the Interim Financial Statements' requirements, in addition to the year-end inventory count.

(2) The Inventory Manager must set a date in advance and notify the responsible officials, together with the inventory count instructions.

(3) No inventory may be received or issued during the inventory count process.

(4) All requisitions for the financial year end must be issued by 20 March of each year to facilitate the year-end inventory count.

(5) The inventory count must be completed and the relevant reports submitted by 31 March of each financial year, whereafter inventory will only be issued from the first working day of the new financial year.

(6) A comparison must be made between the inventory register, bin cards and the physical inventory items, and any discrepancies between the physical inventory and the inventory records must be investigated and reported to the Chief Financial Officer or delegated authority in writing, for the write-off of any inventory losses, or the write-

up of surpluses, as may be applicable, in terms of the PFMA and Chapter 12 of the Treasury Regulations.

(7) A certified stock count report must be submitted to the Senior Manager: SCM detailing the following:

- (a) a description, quantity and value of the stock;
- (b) no movement stock;
- (c) slow moving stock; and
- (d) disposal of stock.

### **OBSOLETE INVENTORY**

12.(1) The Chief Financial Officer or delegated authority may approve the write-off of inventory if he or she is satisfied that—

- (a) the inventory has expired and is redundant;
- (b) the inventory is of a specialised nature and has become out-dated due to the introduction of better and more effective products;
- (c) the inventory cannot be used for the purpose for which it was originally intended; or
- (d) the inventory has been damaged and is rendered useless.

(2) All items disposed of must be updated in the inventory records for the purposes of proper management and control.

### **GENERAL**

13.(a) The Inventory Manager and Inventory Controller must be appointed in writing.

(b) A stores catalogue must be maintained and updated as required.

(c) Where a contract exists, purchases must be made against the contract, including government transversal contracts.

(d) Where no contract exists, and it's a non-stock item, a purchase requisition must be forwarded to the Acquisition Section of the Supply Chain Management Unit for the invitation of quotations and purchasing of items.


(e) General stationery stock will be retained for frequently used items and critical items that have long lead times.

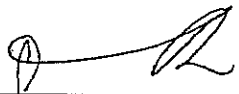
**MONITORING AND EVALUATION**

14. The Chief Financial Officer through the Senior Manager: Supply Chain Management must monitor the implementation of the policy on a regular basis, provided that this Policy may be reviewed and amended from time to time as and when the need arises.

**EFFECTIVE DATE**

15. This Policy comes into effect on date of signature hereof by the Accounting Officer.

  
\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**  
DATE: 17/01/2013

  
\_\_\_\_\_  
**ACCOUNTING OFFICER**  
DATE: 18/1/13





