

# VHEMBE DISTRICT MUNICIPALITY

#### **MANAGEMENT POLICY:-**

### **A INVENTORY - PURCHASES**

- 1. Inventory items are only to be ordered once the minimum inventory holding levels are reached or when new product lines are requested by the Heads of Departments.
- 2. Purchase requisitions should be completed by the stores clerk and Supply Chain Manager before orders are issued and after quotations were obtained.
- 3. Quotations should be obtained according to the Municipality's Supply Chain Management Policy.
- 4. All items purchased by the Municipality should be captured and controlled through the Municipality's inventory accounting system, computerised as well as manual.
- 5. All order forms should be authorised by the Chief Financial Officer or the delegated employee, before goods are ordered.
- 6. The Accountant Logistics is responsible for the completeness and accuracy of the following functions:
  - Receiving of items ordered;
  - Issuing of items needed;
  - Overall physical control over inventory items and stores area.
- 7. Goods received vouchers should be completed by the Stores Clerk or the delegated employee in respect of all inventory items received at the stores.

#### **B INVENTORY - ISSUES**

- 1. Inventory items / goods can only be issued on presentation of an authorised stores issue requisition.
- 2. The stores issue requisition should be authorised by the Head of the Department/Delegated Official that requires the goods / items.
- 3. The stores issue requisition should be signed by the below mentioned as proof of the functions performed:
  - Applicant Person requesting items / goods;
  - Head of Department/Delegated Official Authorisation;
  - Store Clerk Issuing of items / goods;
  - Receiver of items / goods Proof of receipt.
- 4. The Municipality inventory systems, computerised and manual should be updated from the stores issue requisitions.
- 5. It is the duty of the Accountant (Logistic) to ensure that the requisitions are accurately completed.
- 6. The requisition should be captured onto the bin as reference and audit trail
- 7. Requisitions should all be clearly marked / stamped after being captured onto the computer or manual system.

## C INVENTORY - CONTROL

- 1. Access to the stores area should be limited to the stores clerks only. The area should be locked during periods when the stores clerks are not present.
- 2. The Accountant (Logistic) should be held responsible for any unexplained shortages that arise from the results of the inventory counts.
- Delegated employees of the Finance Department should perform physical inventory counts regularly on a test basis. The purpose is to compare the physical inventory with the theoretical records on a test basis and to detect possible theft, fraud or accounting errors on a timeous basis.
- 4. Complete inventory verifications, of all items on hand, should be performed at least twice per financial year. These counts should be performed on the last day of the financial year and at the end of December of each year. The purpose is to compare the total physical inventory with the theoretical records and to detect possible theft, fraud or error.

- 5. Adjustments to the inventory records, computerised as well as manual, should in all instances be authorised by the Chief Financial Officer and adjustments should be supported by authorised documentation.
- 6. The stores area should at all times be clean and the inventory items / goods stacked in such a manner to ensure easy identification.
- 7. Results from all inventory counts should be kept on permanent file for future reference.
- 8. Separate inventory bin numbers should be allocated to each inventory item and be captured onto the computer system,
- 9. Perpetual inventory records should be kept on computer as well as manually. The inventory on hand of these two systems should at all times reconcile.
- 10. It is the duty of the Accountant Logistics to ensure the completeness of all inventory issue and receipt transactions on the financial system.
- 11. It is the duty of the Supply Chain Manager to ensure that the inventory control account reconciles with the inventory ledger on a monthly basis. This reconciliation should be finalised by the 7<sup>th</sup> day of each month.
- 12. The Chief Financial Officer should verify the correctness and accuracy of the reconciliation as mentioned in point 11. The reconciliation should be signed as proof of the verification performed.
- 13. The year end inventory on hand balance should be disclosed in the Municipality's financial statements according to the stipulations of GRAP or any other regulation that has an effect on inventory.