

DRAFT

UMUZIWABANTU MUNICIPALITY
INVENTORY MANAGEMENT POLICY AND PROCEDURES



TABLE OF CONTENT

1. Definitions

2. Objective of the Policy

3. Scope of the Policy

4. Legal framework

5. Inventory Procedure
 - 5.1. Responsible Officials
 - 5.2. Ordering of Inventory
 - 5.3. Receiving of Inventory
 - 5.4. Storage of Inventory
 - 5.5. Issuing of Inventory
 - 5.6. Disposal of Inventory
 - 5.7. Stock count

6. Inventory Records

7. Reporting

8. Adoption of Policy

ANNEXURES

1. DEFINITIONS

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

- 1.1. "MUNICIPALITY" shall mean the Umuziwabantu municipality;
- 1.2. "ACCOUNTING OFFICER" means the Municipal manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act. 56 of 2003.
- 1.3. "CFO" means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance management Act, 56 of 2003.
- 1.4. "INVENTORIES" are assets in the form of material or supplies to be consumed in the production process or distributed in the rendering of services.
- 1.5. "GRV" means a document which is used to acknowledge the receipt of goods in good condition and correct quantities.
- 1.6. "REQUISITION FORM/BOOK" means a written request to the Inventory Supervisor or Store man/lady to supply specified inventory.
- 1.7. "STORE MAN/LADY" means the official responsible for the requisition, receipt, issue, and recording, safeguard of inventory and efficient management of inventory.
- 1.8. "STORE" means a place where inventory is stored.
- 1.9. "OBSOLETE INVENTORY" means items that have expired, are redundant or damaged.
- 1.10. "RE-ORDER LEVEL" means a level of inventory at which inventory is re-ordered.
- 1.11. "STOCK ISSUE NOTE" means a document used to authorize the issue of stock items from stores.

2. POLICY OBJECTIVE

The object of the policy is as follows:

- 2.1. To provide guidelines that must be followed in the management and control of inventory, safeguarding and disposal of inventory by all municipality staff members.
- 2.2. To procure inventory in line with procurement principles contained in the Municipality's Supply Chain Management Policy.
- 2.3. To eliminate misuse of inventory and possible theft.

3. SCOPE OF THE POLICY

- This policy applies to all Umuziwabantu Municipality inventory received and issued by the Store man and kept within and outside the stores under the supervision of the Store man.

4. LEGAL FRAMEWORK

In terms of the MFMA, the Accounting Officer for a municipality must:

- 4.1. Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1) (a);
- 4.2. Take all reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and other losses as per section 62 (1) (d);
- 4.3. Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1) (a) and (b)

5. INVENTORY PROCEDURES

Inventory procedures must be followed to ensure that:

- Inventory is safeguarded at all times.
- Records of quantities are accurate at all times.
- Optimum inventory levels are maintained to meet the needs of users.
- All inventory issues must be authorized
- All items in stores are secured and be used only for the purpose purchased for.

5.1. APPOINTMENT OF RESPONSIBLE OFFICIALS

5.1.1 Inventory official (Store man) must be appointed to perform his/her duties in writing by the CFO.

5.1.2 All the duties to be done must be segregated and be maintained to avoid the potential occurrence of errors and fraud. (E.g. requisition, receipts, recording, storage and safekeeping of inventory and the management and control thereof).

5.2. ORDERING OF INVENTORY

5.2.1. The CFO or an appointed official by CFO must set stores/reorder levels for all items from different departments. The inventory levels must indicate the minimum and maximum inventory that can be maintained.

5.2.2. Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirements/needs to avoid cash tied up on inventory.

5.2.3. A reorder listing should be printed weekly by Store man and reviewed by the SCM Manager.

5.2.4. The Store man must use a listing as a primary source of information to complete the purchase requisition book/form.

5.2.5. The purchasing requisition form must be completed in duplicate, with one copy kept in requisition book and an original copy to be forwarded to the procurement section.

5.2.6. A copy of the purchase order form will then be forwarded by the procurement or buying department to the Stores for the Store man to match with goods delivery note (voucher) once goods are delivered.

5.2.7. The Order must therefore be filed in date sequence.

5.2.8. The file must form the basis for a follow up of orders and for matching goods that are delivered to inventory department/Stores.

5.2.9. After review if any discrepancies verified in an order or not delivered as per an agreement with the buyer, must be followed up immediately.

(FREQUENTLY – ON GOING BASIS)

5.3. RECEIVING OF INVENTORY

5.3.1. The quantity and quality of inventory from the supplier must be according to the specifications and information on the order form.

5.3.2. The Store man must compare the delivery note to the purchase order before accepting the goods.

- 5.3.3. The invoice and delivery note must match the supplier name and order number.
- 5.3.4. The Store man must prepare the GRV/ Goods Received Voucher/Note to record all inventory items ordered and in good condition.
- 5.3.5. The Store man must make sure that all delivery notes are signed by him/her and the driver. All incorrect delivery items are rejected and clearly identified on both copies of delivery notes and the supplier signs all amendments.
- 5.3.6. The inventory received must be transferred to the secured stores with the signed Goods Received Note
- 5.3.7. All inventories must be stored in their respective sections.
- 5.3.8. The inventory records/register/database and systems must be updated by the responsible official or Store man.

(FREQUENTLY – ON GOING BASIS)

5.4. STORAGE OF INVENTORY

- 5.4.1. The inventory must be stored in a secured area under lock and key.
- 5.4.2. The inventory must be insured in terms of the Risk management Policy of the Municipality.
- 5.4.3. The stores/area must be used exclusively for the storage of inventory with a limited authorized access only.
- 5.4.4. All inventory must be positioned to facilitate efficient handling and checking
- 5.4.5. All items must be stored separately, with proper segregation.
- 5.4.6. All items must be clearly labelled for easy identification e.g. Tag/Bin cards or inventory labels may be used to identify each item for physical verification of items. Details on a bin should include the ff:
 - Order number
 - Quantity received
 - Date receipts
 - Quantity issued
 - Date of issue
 - Maximum stock level
 - Re-order level
 - Re-order quantity
 - Closing stock
 - Etc
- 5.4.7. Items of the same type and reference be store together as per description.
- 5.4.8. Store man must ensure safe custody of items, including precautions against loss or theft of inventory.

- 5.4.9. He/her must ensure that all items in his /her absence are secured.
- 5.4.10. The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to the officials shall obtain entry to the premises where inventory is kept.
- 5.4.11. No unauthorised officials/persons shall obtain entry to the Stores unless accompanied by responsible official.
- 5.4.12. Fire protection precautions must be adhered to, such as Fire extinguishing equipment must be placed in the area where inventories are kept.

(FREQUENTLY – ON GOING BASIS)

5.5. ISSUING OF INVENTORY

- 5.5.1. Only a Store man will be authorized to issue inventory from the Stores.
- 5.5.2. Inventory should only be issued in terms of the approved requisition form.
- 5.5.3. All requisition forms must be ruled of immediately below the last item to prevent the items being added once the requisition is authorised /approved by the responsibility manager.
- 5.5.4. The Store man should verify that correct vote is entered on the requisition for the type of goods requested.
- 5.5.5. The store man must prepare the Stock Issue Note (printed in Triplicate) once the inventory items requested taken out of the shelves.
- 5.5.6. The official receiving the items must acknowledge the receipts of stock items requested by signing the stock issue note prepared by the Store man.
- 5.5.7. Once the inventory is issued the register must be updated on the system.
- 5.5.8. The issue note and the requisition must be filed in a sequential order.
- 5.5.9. Inventories must be issued and used for official purposes only.

5.6. DISPOSAL OF INVENTORY (OBSOLETE INVENTORY)

- 5.6.1. Inventory can only be disposed or written off once a CFO furnished to the Council a list of inventory together with the reasons for their disposal.
- 5.6.2. The Council may approve write-off of inventory, only if satisfied that:
- The inventory has expired and is redundant
 - The inventory cannot be used for the purpose for which it was originally intended.
 - Outdated due to the introduction of upgraded and more effective products
 - Damaged and is rendered useless.

(FREQUENTLY – ON GOING BASIS)

5.7. STOCK COUNT/TAKE

- 5.7.1. Physical stock count must be done on a monthly basis by an official delegated for the stock take accompanied by the Store man.
- 5.7.2. The schedule and the report of the stock count must be handed over to the CFO after investigation for any discrepancies between the inventory records/register/database and the physical verification.
- 5.7.3. The CFO/Accounting Officer must submit a report with the findings in order to be reported to the Executive Committee of the Municipality.
- 5.7.4. The inventory record, register, database or systems must be updated accordingly.
- 5.7.5. The CFO shall ensure that stock taking of all inventory take place in every financial year (annually) as follows:
 - It must take place at the last date of the annual year.
 - External Auditors must be notified in time to avail themselves.
 - Stores must be closed at noon a day before stock take.
 - Store man must make sure that all transactions are up to date.
 - Physical stock take must be recorded on the stock take listing sheet.
 - After counting all stock must be marked and the total be entered on the stock sheets.
 - On completion all stock sheets be handed over to CFO.
 - Physical stock figures must be verified to the computerised listing and the Store man should not be involved in any verification of this figures.
 - If any discrepancies found a re-count must be done.
 - The CFO shall report shortfalls and surpluses to the Executive Council of the Municipality.
 - Proper internal control system of the inventory must be established by the CFO.

(FREQUENTLY – ON MONTHLY /YEARLY BASIS)

6. INVENTORY RECORDS

- 6.1. Records, register, database for all inventory items must be maintained either manually or electronically.
- 6.2. It is recommended that some of the following details must be included for the proper management and control of the stock:
 - Order number/date;

- Description of item
- Quantity and value of stock on hand
- Quantity and value of stock received
- Quantity and value of stock issued
- Re-order level
- Opening and closing stock
- Quantity and value of obsolete stock

6.3. Stock schedule must be printed on a monthly basis and hard copy to be filed.

7. REPORTING

7.1. A detailed report must be submitted to the CFO at least on a monthly or quarterly basis inclusive of the proposed written offs, surpluses and shortages.

8. POLICY ADOPTION

This policy has been considered and approved by the **COUNCIL OF THE UMUZIWABANTU LOCAL MUNICIPALITY** as follows:

Resolution No:.....

Approval Date: