

MOPANI DISTRICT MUNICIPALITY



FINAL

INVENTORY MANAGEMENT POLICY

2025/26 FINANCIAL YEAR

A. INVENTORY – PURCHASES

1. Inventory items should only be ordered once the minimum inventory holding levels are reached or when new product lines are requested by the Directorates.

2. Purchase requisitions should be completed by the Admin Clerk: Stores and approved by the CFO or delegated before orders are issued and after quotations were obtained.

However, it should be noted that purchase requisitions must be digitally completed and stored within the Municipality's inventory management system, ensuring swift approval workflows that include CFO or delegate approval post-quotation acquisition.

3. Quotations should be obtained according to Mopani District Municipality's supply chain management policy.

4. All purchased items are to be systematically recorded in the Municipality's inventory management software, ensuring real-time tracking and oversight. Manual records will serve as a secondary method for audit trails and backup purposes only.

5. All order forms should be authorized by the CFO or the delegated official before the goods are ordered.

6. The Admin Clerk: Stores or delegated official is responsible for the completeness and accuracy of the following functions: -

- Receiving of items ordered.
- Issuing of items requested.
- Overall physical control over inventory items and stores

It may be beneficial to incorporate regular training or refresher courses for these officials to ensure they are up to date with best practices in inventory management.

7. Goods received vouchers should be completed by the sub-accountant creditors or the delegated official in respect of all inventory items received at the stores.

Upon receipt of inventory items, the sub-accountant creditors or the delegated official shall complete electronic Goods Received Notes (eGRN) within the inventory management system, aligning with the Municipality's digital record-keeping initiative for improved accuracy and efficiency.

8. The physical inventory control documentation should be updated when the inventory items have been checked and counted and after goods received vouchers were completed.

It is further recommended for an integration of an inventory management system that updates in real-time upon the completion of goods receipt to improve accuracy and efficiency.

9. The Sub Accountant creditor should verify the below mentioned information for completeness and accuracy and compile a creditor's reconciliation before payments are made according to the District Municipality's supply chain management policy:

- The requisition was currently completed and signed by all the relevant parties.
- Sufficient quotations were obtained.
- Goods received voucher was signed.

B. INVENTORY – ISSUES

1. Inventory items/goods should only be issued on presentation of an authorized stores issue requisition.

To further align with the IDP and budgetary considerations, incorporating a digital requisition and approval process can streamline operations and ensure real-time tracking of inventory levels.

2. The stores issue requisition should be authorized by the Head of Department (Director) or 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 | Authorization. |
| • Delegated Store Clerk | Issuing of items/goods. |
| • Receiver of items/goods | Proof of receipt. |

While the physical signatures ensure accountability, transitioning to a digital signature system within the inventory management software would enhance efficiency, reduce paper use, and provide a secure and auditable trail of approvals.

4. The District municipality's perpetual inventory systems, computerized and manual should be updated from the stores issue requisitions. These functions should be performed by the following:-

- | | |
|-----------------------|---------------------------------------|
| • Computerized System | Accountant SCM/Inventory |
| • Manual System | Admin Clerk Store/ delegated official |

It is recommended to prioritize the integration of a fully digital system where updates are automated upon the completion of the digital requisition process. This would minimize the reliance on manual entries and reduce the potential for human error.

5. It is the duty of the Admin Clerk Stores to ensure that the requisitions are accurately completed.

6. It is the duty of the Admin Clerk Stores to ensure the completeness of requisitions issued. The process of marking requisitions as captured should be fully automated within the inventory management system. Once a requisition is entered and authorized digitally, the system should

automatically update the status and notify relevant parties, eliminating the need for manual stamps and signatures (As indicated on the subsequent point).

7. Requisitions should all be clearly marked or stamped after being captured onto the computer system. Accountant Inventory signs the requisition as proof of the capturing function having been performed.

C. INVENTORY – CONTROL

1. Access to the stores area should be limited to the store's personnel only. The area should be locked during periods when the stores clerks are not present.

2. Stores personnel should be held responsible for any unexplained shortages that arise from the results of the inventory counts.

3. Delegated officials of the Budget & Treasury Office 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.

Integrate technology such as barcode or RFID (Radio-Frequency Identification) systems to streamline physical counts, enhance accuracy, and facilitate quicker reconciliation with theoretical records.

4. Complete inventory verifications of all items on hand should be performed at least twice per year in the financial year. These counts should be performed on the last day of the financial year and after six months of the financial year. The purpose is to compare the total physical inventory with the theoretical records and to detect possible theft, fraud or error.

Maintain the semi-annual complete inventory verifications. Incorporate technology to automate the process where possible, ensuring more frequent, less labor-intensive checks throughout the year for critical or high-value items.

5. Adjustments to the inventory records, computerized as well as manual should in all instances be authorized by the Deputy Manager: SCM and adjustments should be supported by authorized documentation.

6. The stores area should always 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 the permanent file for future reference.

8. Separate inventory control numbers should be allowed to each inventory item and be captured onto the computer system as well as on the inventory bins.

Further ensure each inventory item is tagged with a unique barcode or RFID tag, which should be scanned into the computer system for real-time tracking and control.

9. Perpetual inventory records should be kept on computer as well as manually on the bin cards. The inventory on hand of these two systems should at all times reconcile. While keeping records both on computer and manually is prudent, emphasize the primary use of the computerized system for real-time inventory tracking, with manual records as a secondary measure or for specific audit purposes.
10. It is the duty of Accountant SCM to ensure completeness of all inventory issue and receipt transactions on the financial system.
11. It is the duty of the Accountant SCM to ensure that the inventory control account reconciles with the inventory ledger on a monthly basis. This reconciliation should be finalized by the 15th working days of each month.
12. The Line Manager SCM 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 yearend inventory on hand balance should be disclosed in the District Municipality's financial statements according to the stipulations of GRAP or any other regulation that has an effect on the inventory.

D. MISCELLANEOUS

Policy Review and Updates:

To ensure the Inventory Management Policy remains dynamic and responsive to the evolving needs of the Mopani District Municipality, changes in technology, and advancements in best practices, the following provision is incorporated:

Annual Review Cycle: The policy shall undergo a formal review annually. This review will be conducted by a designated committee composed of members from various relevant departments, including but not limited to Finance, Supply Chain Management, and any other department deemed necessary by the Municipal Manager.

Scope of Review: The annual review will assess the policy's effectiveness in meeting the Municipality's operational needs, its alignment with the Integrated Development Plan (IDP), and compliance with the budgetary frameworks. Special attention will be given to technological advancements that could enhance inventory management efficiency, accuracy, and security.

Review Process:

1. **Assessment:** The review will start with an assessment phase, where feedback on the policy's current implementation is gathered from all relevant stakeholders.

2. **Analysis:** Following the assessment, the committee will analyze the feedback, current inventory management trends, and technological advancements to identify potential areas for improvement.
3. **Recommendations:** Based on the analysis, the committee will formulate recommendations for amendments or updates to the policy.
4. **Approval:** The recommended changes will be presented to the senior management team for approval. Once approved, the amendments will be officially incorporated into the policy.

Documentation and Communication: Any changes to the policy resulting from the review process will be documented and communicated to all affected staff members. Training sessions will be organized as necessary to ensure a smooth transition to the updated practices.

Record Keeping: A record of all review activities, including assessments, recommendations, and approvals, will be maintained for accountability and future reference.

1. POLICY APPROVAL

This policy was formulated by Budget and treasury Management in consultation with the Treasury.

2. COMMENCEMENT

2.1 This policy shall come into effect on the date of adoption by council.

3. REVIEW OF THE POLICY

3.1 The policy shall be reviewed annually or when a need arises.

4. REPEAL

4.1 The policy shall repeal all previous policies formulated before its approval.

5. STAKE HOLDER 'S CONSULTATION

5.1 All stakeholders were consulted on the

6. ADOPTION BY THE COUNCIL

Resolution NO:	Approved date:
----------------	----------------

Effective Date 01 July	Review date: Annually
------------------------	-----------------------

7. AUTHORITY

MUNICIPAL MANAGER
MR TJ MOGANO

COUNCIL SPEAKER
CLLR NM MASWANGANYI