

MOPANI DISTRICT MUNICIPALITY



INVENTORY MANAGEMENT POLICY DRAFT

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.
3. Quotations should be obtained according to Mopani District 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, computerized as well as manual.
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
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.
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.
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

MOPANI DISTRICT MUNICIPALITY
INVENTORY POLICY

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 Admin Clerk Stores 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.
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.
5. Adjustments to the inventory records, computerized as well as manual should in all instances be authorized by the Assistant Director Expenditure and adjustments should be supported by authorized 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 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.
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.
10. It is the duty of Accountant Expenditure to ensure completeness of all inventory issue and receipt transactions on the financial system.
11. It is the duty of the Accountant Expenditure 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 Assistant Director Expenditure 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.