



**DRAFT INVENTORY  
POLICY**

**2026/2027**

3	INVENTORY LEVEL
4	INVENTORY PURCHASES
5	INVENTORY ISSUES
6	INVENTORY CONTROL
7	INVENTORY COUNT
8	RECOGNITION AND MEASUREMENT

- To set the criteria and processes to be followed by municipal officials when acquiring and issuing inventory items;
- To serve as a guideline for the overall control of inventory items and the safety thereof.

1.2 This policy has been compiled to address control over inventory and complies with the requirements and guidelines as set by the following acts and other documents:

- SALGA – Local Government Financial Best Practise Manual
- The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
- The Municipal Systems Act, Act 32 of 2000
- Municipal Finance Management Act, Act No. 56 of 2003
- GRAP 12 - Inventory

2005), each senior manager and each officer of a municipality exercising managerial responsibility must take reasonable steps within their respective areas of responsibility to ensure-

- i. That the system of financial management and internal control established for the municipality is carried out diligently;
- ii. That the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently.

2.3 The accounting Officer have the overall responsibility for the effective and efficient management of the inventory.

2.4 Therefore accounting officer must ensure that all the officials of the municipality to whom the responsibility has been delegated to control inventory adheres to this policy and other applicable laws and regulations to ensure the safety, control over and appropriate usage of the inventory of the municipality.

of each financial year to ensure that the municipality's cash is managed effectively and prevent abnormal high inventory holding levels.

3.3 When determining the minimum inventory levels the following should be taken into consideration by the Chief Financial Officer or delegated Manager

- The objectives of the municipality for the specific year;
- The frequency of the usage of the particular inventory item;
- The accessibility (availability) of the inventory in the market;
- The storability of the inventory items;
- To leverage the prevailing market price.

3.4 The Chief Financial Officer or delegated Manager must annually determine the re-order level, i.e. the point at which an inventory item should be replenished to ensure that there is enough resources to supply the daily activity demand.

- purchased,
- The items requested are new and have not been provided for in the current year budget, and
- The items are requested in emergency situations.

4.3 Purchase and payment of inventory must be in accordance with the guidelines of the Municipality's Supply Chain Management and Payment Policy, respectively.

4.4 The stores clerk must record the inventory received on a pre-numbered good received note manually and update the stock card.

4.5 All inventory items acquired by the Municipality should be captured and controlled through the Municipality's inventory accounting system,

4.6 The items received should be inspected to ensure that the goods received are of correct quantity as ordered and of the quality required.

4.7 No damaged/incorrect goods should be accepted and in these circumstances the stores clerk should inform the Manger: Assets and Fleet Immediate supervisor or delegated official so that a follow up with the supplier is made to ensure that the correct goods in good conditions are received by the municipality.

4.8 The Stores Clerk is responsible for the completeness and accuracy of the following functions:

- Receiving of items ordered;
- Inspecting of items received (quantities and quality) to ensure that it agrees to the original order;
- Generating of a detailed pre-numbered good receive note for each inventory receipt transactions;



- 5.3 Inventory issue requisition should be authorised by the Head of the Department or delegated senior official that requires the goods / items.
- 5.4 The Store Clerk must update the store's inventory on the financial system the moment that the items are issued;
- 5.5 The inventory issue requisition should be signed by the officials mentioned below as proof of the functions performed:
- Applicant - Person requesting items / goods;
  - Head of Department - Authorisation;
  - Stores Clerk - Issuing of items / goods;
  - Receiver of items / goods - Proof of receipt.
- 5.5 The Municipality's inventory systems(perpetual), computerised and manual should be updated from the detail on the inventory issue requisitions. These functions should be performed by the following officials within a month that the issue transaction occur
- 5.6 The Stores Clerk is responsible for the completeness and accuracy of the following functions:
- Issuing of items requested;
  - Updating of store inventory control records in the financial system for each inventory issue transaction;
  - Submitting of inventory issue requisition to the Senior accountant assets and fleet or delegated official for capturing onto the financial system;
- 5.7 The Accountant or delegated official is responsible for the completeness and accuracy of the following functions:

- 6.3 The stores area should at all times be clean and the inventory items / goods stacked in such a manner to ensure effective control and easy identification.
- 6.4 The Stores Clerk shall be held responsible for any unexplained shortages that arise from the results of the inventory counts.
- 6.5 Unique inventory codes / numbers must be allocated to each inventory item and be captured in to the computer system, on the stock cards, and on the inventory bins.
- 6.6 Perpetual inventory records should be captured on the financial system as well as on the manual stock cards. The quantities on hand of these two systems should at all times reconcile or be reconciled.
- 6.7 The inventory general ledger control account should be reconciled on a monthly basis to the inventory system balance.
- 6.8 The monthly stock reconciliation must be reviewed for completeness and accuracy by the Assistant Director: Assets and Fleet.
- 6.9 The monthly stock reconciliation must be reviewed for completeness and accuracy by the Chief Financial Officer.
- 6.10 The Manager: Assets must file the fully completed and reviewed monthly reconciliation and control sheet in the relevant section of the monthly audit file by or on the last working day of each month.

7.3 Any discrepancies / variances identified during the counts should be followed up adjusted for in the financial records of the Municipality by Senior Accountant: Assets and Fleet as at year-end.

7.4 Variances in excess of R5 000 at year-end should be followed up and results of the follow up / investigation must be documented and reported to the Manager: Asset and Fleet who in turn must report to the Chief Financial Officer.

7.5 The Council's authorisation/approval should be sought to effect the adjustments to the financial records mentioned in point 7.4.

7.6 The accounting records (on the financial system and manual inventory records) should be adjusted for any discrepancies identified by Senior Accountant: Assets and Fleet and the physical counted quantities must be captured.

7.7 Manual inventory records must be dated and signed for each inventory count.

7.8 The following should be identified and documented during each inventory count:

- Slow moving/ obsolescent inventory items (To be provided as obsolete);
- Damaged inventory item (To be excluded from inventory balance);
- Inventory held for a third party (To be excluded from inventory count).

7.9 Detailed and formal inventory count procedures must be developed and approved by the Chief Financial Officer. These inventory count procedures must be applied during any inventory count conducted by the municipality.

7.10 The following officials should be present at the inventory count (quarterly counts):

physical counting process occurred.

## **8. RECOGNITION AND MEASUREMENT OF INVENTORY**

### **8.1 Definitions**

Inventories are assets: (a) in the form of materials or supplies to be consumed in the production process; (b) in the form of materials or supplies to be consumed or distributed in the rendering of services; (c) held for sale or distribution in the ordinary course of operations; or (d) in the process of production for sale or distribution.

### **8.2 Recognition**

Inventories shall be recognised as an asset if, and only if,

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- (b) the cost of the inventories can be measured reliably.

### **8.3 Measurement at recognition.**

Inventories that qualify for recognition as assets shall initially be measured at cost.

Where inventories are acquired at through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### **8.4 Subsequent measurement**

- 8.4.1 Consumables inventories is subsequently measured at weighted average cost method as determined by the financial system.