



**dpwr**

---

Department:  
**Public Works and Roads**  
North West Provincial Government  
Republic of South Africa

Modiri Molema Road  
Provincial Head Office  
Mmabatho, 2735  
Private Bag X 2080, Mmabatho, 2735  
Republic of South Africa  
Tel.: +27 (18) 388 1104  
Fax: +27 (18) 388 1988  
Website: [www.nwpg.gov.za/public works](http://www.nwpg.gov.za/public%20works)

# DEPARTMENT OF PUBLIC WORKS AND ROADS

## INVENTORY MANAGEMENT POLICY

PREFACE	3
PURPOSE .....	3
IMPORTANCE OF INVENTORY MANAGEMENT .....	3
LEGISLATIVE FRAMEWORK.....	3
DEPARTMENTAL RESPONSIBILITY FOR STORES .....	4
REPLENISHMENT OF STOCK .....	5
INVENTORY LEVELS (MAXIMUM & LEVELS).....	5
MINIMUM STOCK.....	ERROR! BOOKMARK NOT DEFINED.
CLASSIFICATION OF ITEMS UNDER INVENTORY ITEMS .....	5
RECEIVING OF GOODS INTO STORES.....	6
STORAGE AND PRESERVATION .....	6
RECORD KEEPING.....	7
SAFE GUARDING, NEATNESS.....	7
RESOURCES EQUIPMENT .....	7
SAFEGUARDING, NEATNESS, SAFETY AND OPTIMAL LAYOUT OF THE STORES. ....	8
INTERNAL REQUISITION OF INVENTORY ITEMS.....	8
RECEIVING OF GOODS INTO STORES.....	9
HANDLING OF BIN CARDS/ STOCK SHEETS/ STOCK REGISTERS.....	9
STOCKTAKING/ COUNTS .....	9
DISPOSAL OF INVENTORY ITEMS .....	10
RECORD KEEPING.....	10
REFERENCES .....	11



## **PREFACE**

The Department of Public Works and Roads (DPWR) is responsible for the implementation of Inventory Management Policy throughout the department. This policy is aligned to the Inventory Management Framework and adherence to the Public Finance Management Act 1 of 1999 as amended.

## **PURPOSE**

The purpose of the Inventory Management is to define inventory accounting and draw up an inventory management practice for the department. The envisaged outcome is an efficient and effective control and inventory management tool for the Department.

## **IMPORTANCE OF INVENTORY MANAGEMENT**

Inventory management is concerned with accounting and management of assets classified as inventory. Inventory is part of current assets and the closing balance of inventory appears in the Annual Financial Statement as part of disclosure items.

Assets Classified as inventory are current assets, which are often held in warehouse, storerooms, or road camps and issued to jobs, projects or otherwise utilized as and when required for the maintenance of vehicle, building, roads, etc. The assets held in inventory are required to ensure service delivery of different directorates of the department without interruption.

## **LEGISLATIVE FRAMEWORK**

The legislative framework provided by the PFMA, regulations and guidelines focuses on improving financial management and service delivery. The preamble of the PFMA sets out the scope and focus in terms of improving financial management in the public sector and in particular to ensure assets are managed efficiently and effectively.

Section 38 of the PFMA places responsibility on the accounting officer for financial management functions. Section 44 provides for the assignment of powers and duties by the accounting officer to other officials and section 45 details the responsibilities

of those other officials. Sections 51, 56 and 57 repeat these responsibilities with regard to public entities. In particular the above sections of the PFMA make reference to ensuring:

- Effective, efficient, economical use of resources;
- Efficient and economic management of working capital; and
- Management and safeguarding of assets

The Treasury Regulations, 2005, issued in terms of the PFMA give further weight to the above section. In particular, Treasury regulation 10.1 deals with responsibilities for asset management as follows.

#### 10.1 Responsibility for asset management [Section 38(1) of the PFMA]

10.1.1 The accounting officer must take full responsibility and ensure that proper control systems exist for assets and that –

- preventative mechanisms are in place to eliminate theft, losses, wastage and Misuse; and

- Stock levels are at an optimum and at economic level

10.1.2 The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution's assets.

## **DEPARTMENTAL RESPONSIBILITY FOR STORES**

5.1 The accounting officer of a Department is responsible and accountable for the efficient handling of, and control over the stores and to ensure that:

- Adequate control measures are implemented and maintained, Financial regulation 1 (1)(i).- all losses from the stores are reported and appropriate loss control measures are taken

- Items purchased through stores are/is only used for the purposes as authorized.

- accounts for stores and services are not settled until such time as confirmation has been received that the stores/services have been satisfactory delivered/ grant approval to deviate from this rule. Financial Regulation 9.

5.2 Control of stores and services is vested in Supply Chain Management of the department. The directorate is to exercise the necessary control measures are in place in respect of the application of all instruction in this regard thereby ensuring the efficient handling of all stores/ services.

5.3 The Accounting Officers responsibility (not accountability) for the efficient procurement and handling of stores is delegated to the relevant Directorate (s) that is/are directly responsible to the Accounting Officer. This responsibility together with the applicable functions is further delegated to heads of Regional Officers, where stores and equipment are held.

## **REPLENISHMENT OF STOCK**

Official who is responsible to replenish the stock item must identify inventory items that need to be ordered. Items identified may either be items due for replenishment due to normal usage or specific requests received for specific projects or tasks. The following may be used as methods/tools to assist with the process of determining items to be replenished:

## **INVENTORY LEVELS (MAXIMUM & LEVELS)**

The Department is in the process of implementing an Inventory Management System with the assistance of Provincial Treasury (Asset Management, as custodian of all Financial System) which can cater for the following: to ensure that inventory items have been allocated with minimum and maximum levels, where possible. The system will ensure that stock levels are kept at a satisfactory level. Minimum and maximum levels will be used as an “early warning system” to control stock. Ensure that stock replenishment are done regularly and timorously (with due consideration to order and delivery on times)

## **CLASSIFICATION OF ITEMS UNDER INVENTORY ITEMS**

Procurements of all items using budget allocated for inventory must pass through relevant store of the district or sub-district office of the department. Example even if fuel is delivered at Christiana Road Camp entry must be recorded for the purchase of that fuel at Schwiezer store or Vryburg store and reconciliation of issue of fuel must be done to the purchase at the district or sub-district office responsible for that specific road camp.

## RECEIVING OF GOODS INTO STORES

- All items received by an institution should first pass through the goods receiving section for checking thereof before being taken into stock. This verification is extremely important, and all the relevant personnel in this section should be notified of their duties.
- Items are to be verified in line with delivery note, quotation, and order to ensure the goods received is/are of the same quality, quantity, and specification.
- If necessary, an expert in the particular product can be approached to assist in the verification process.
- When items are received, it is to be established first of all whether the order is expected. Items may not be received if there is no official order for it.
- Deliveries are to be carefully examined before signing off delivery note. Any evidence of tampering, damage or short delivery is to be investigated immediately and particulars are to be endorsed on the delivery document. In the case short delivery/ partial delivery if undelivered item appear on the delivery slip it must be noted not delivered and signed and counter signed by official who receive the delivery and supplier/ supplier representative.
- Return of any damaged item must be noted on the delivery note it came with or documented and counter signed by the department and supplier representative.
- When items are received on holders, the external condition of such holders are to be checked, such as damage to the holders or any signs of tampering therewith before any documentation is signed. Any damages of packaging must be noted on the delivery documentation. If damages are serious and there is a doubt regarding the condition of the contents the package must be returned to the supplier.

## STORAGE AND PRESERVATION

- Inventory items must be stored in such a way that facilitates safekeeping and verification thereof can be easily done
- In this regard due consideration should be given to the following:
  - A Departmental and other legislative requirement for the storage of item
  - the type of items that must be stored, e.g. flammable goods.

## **RECORD KEEPING**

- All receipts, issues, transfers and any other movement of inventory items must be recorded to ensure paper trail.
- Department is using weighted average method for recording issue of stock and for stock taking till department/ provincial treasury confirm in writing system/ method.

## **SAFE GUARDING, NEATNESS**

Care should be taken that warehouses / storerooms are operated in such a manner that items are not at risk or that the risk is minimized. The following are few aspects that must be considered:

- Access to any storerooms must be strictly controlled and must be limited to those who have been duly authorized to have access
- Control measures should be in place for the handling of duplicate keys for the stores
- Fire – fighting equipment must be available in every warehouse. Such equipment must be serviced regularly and personnel should be trained in the handling thereof.
- Security measures such as alarms/ burglar proofing / security guards must be in place to ensure the safety of personnel and security of stock.
- When the change of warehouse personnel is required, a proper handing over should take place.
- Occupational Health and Safety as well as environmental safety aspects should be adhered at all times.

## **RESOURCES EQUIPMENT**

Adequate machinery and equipment should be available in the storeroom to facilitate easy handling of stock.

Such equipment includes not limited to any one or group of the following:

- Trolleys

- Stepladders
- Protective clothing  
(Forklifts may be added where necessary but operators must possess a license to operate one).

## **SAFEGUARDING, NEATNESS, SAFETY AND OPTIMAL LAYOUT OF THE STORES.**

All store items should be safeguarded and locked up at all times. The store will be kept safe and neat at all times. The layout of the store must support the safety of employees at all times, i.e. clear passages for movement and packing. The layout will also ensure clear and easy access, as well as optimum flows for movement. Items will not be stacked so high that they constitute a safety risk.

When goods are moved from one point to another, it will be done safely and with maximum care. Care will also be taken to ensure that employees are not injured whilst moving heavy items.

## **INTERNAL REQUISITION OF INVENTORY ITEMS**

When goods are required from the internal storeroom, the following procedures should be followed:

- Issues and requests will be done daily
- An internal inventory requisition form should be filled in, detailing the item required by the official.
- All items requested should be authorized / approved by the relevant immediate supervisor and Programme Manager.
- The Inventory Controller issues the store items according to quantities detailed on the internal requisition form and certifies these issues by signing off the form. The Inventory Controller should amend the quantities on the original request, if there is insufficient stock of store items available.
- The recipient must sign for the receipt of the requested store items



## **RECEIVING OF GOODS INTO STORES**

- Bin cards (VA11) and Inventory Stock Register must be updated immediately when goods are received through purchases and transfer, the goods must be checked before accepted.
- Supporting documentation must be filed for audit purposes.

## **ISSUING AND TRANSFERRING**

- Bin cards (VA11) and Inventory Stock Register must be updated immediately when goods are received through purchases and transfer, the goods must be checked before accepted.
- Issuing voucher(VA2/LD13) must be fully completed for all the issues and transfers of inventory.
- Supporting documentation must be filed for audit purposes.

## **HANDLING OF BIN CARDS/ STOCK SHEETS/ STOCK REGISTERS**

- Each item of stock must have a bin card
- Bin cards must immediately be updated with inventory receipts and issues.

## **STOCKTAKING/ COUNTS**

- Stock take shall be performed on quarterly bases. Stock take must be complete within the first 2 weeks of the following quarter.
  - Stock takes shall be performed by SCM at district level.
  - External Auditors may be invited to witness the stock take/ count at year-end
  - All stock items counted should be recorded on the stock count sheet.
  - Counted quantities must be indicated on the stock count sheet in ink.
  - The physical items counted must be marked as counted.
  - At the end of the stock take, the Inventory Supervisor must ensure that all stocks are accounted for (hence the marking off the counted stock)
  - Counted quantities must be recorded in the inventory register. All variances identified must be investigated and cleared.
  - Final stock sheets must be signed and filed.

- Final inventory register with variances must be signed-off by sub district/service point manager.

## **DISPOSAL OF INVENTORY ITEMS**

- Obsolete, expired, redundant and damaged inventory must be identified and cleared on annual basis i.e. at year-end. The only inventory remaining in the stores at year end stock take/ count, must be useful items, which are frequently requested by officials or useable in future.
- All items to be disposed off must be identified and listed when physical verification take place.
- A write-off memo giving reasons for disposals must be completed and submitted in line with the current financial delegation.
- Inventory Management will consider the following analysis when considering the method of disposal.
  - Potential market value or other intrinsic values.
  - The location and volume of the inventory to be disposed of
  - The ability to support other government programmes, and
  - The cost of the disposal methods.
- Different methods will be used for different types of inventory. It is important to ensure accountability and transparency, as well as due consideration of cost considerations when choosing a method of disposal.
- Disposal options/ methods include transfer for alternate use, rental, sale and demolition.
- Records of all inventory items disposed of or written off with the proper authorization and records must be available for audit and future reference.
- Inventory records need to be updated to reflect the actual quantity on hand after the disposal.

## **RECORD KEEPING**

- All files documents must be recorded and maintained in the inventory management unit for Issues, Receipts and Stock Counts.

APPROVED / NOT APPROVED

HEAD OF DEPARTMENT

12/07/2017  
DATE

## REFERENCES

*References used in this guide:*

- *Public Finance Management Act, No 1 of 1999, as amended*
- *Public Finance Management Act, 1999, Treasury Regulations*
- *Supply Chain Management – A Guide for Accounting Officers / Authorities.*
- *Accounting Guideline GRAP 12 Inventories, National Treasury*
- *Annual Preparation Guide to Annual Financial Statements (inventory), OAG*
- *Framework for the preparation and presentation of financial statements, ASB*
- *GRAP 12, Inventories, ASB*
- *GRAP 17, ASB*
- *GRAP 101, ASB*
- *Other references:*
  - *Asset Management Framework, National Treasury, April 2004*
  - *Asset Management Learner's Guide, National Treasury*
  - *Asset Management Case Study, National Treasury*
  - *Inventory Management Learner's Workbook, PFIQ 2008*