



INVENTORY MANAGEMENT STRATEGY

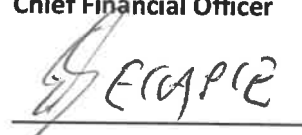
Version control

Version : **02**

Publishing Date : **March 2021**

Review Date : **No sooner than 18 Months and no later than 3 years after the Publishing date**

Responsible Manager : **Chief Financial Officer**

Recommended : 
Chief Financial Officer

31 March 2021
Date


Approved by the Head of Department:

31 March 2021
Date

CONTENTS

INTRODUCTION.....3

POLICY AIM.....3

LEGISLATIVE FRAMEWORK3

POLICY SCOPE3

POLICY STATEMENT.....4

ROLES AND RESPONSIBILITIES.....5

REVIEW AND DISTRIBUTION6

1. INTRODUCTION

- 1.1. This inventory¹ management strategy should be read together with the Department's Supply Chain and Asset management policy.
- 1.2. Inventory is required for the sole purpose of attaining measurable, strategic objectives
- 1.3. The Department is to account in terms of its Annual Financial Statement (AFS) as well as Interim Financial Statement (IFS) for certain inventory items utilized by e.g.:
 - Traffic officials for bullets and summons books
 - Goods acquired through the Ministry's discretionary fund such as groceries for funeral assistance to the public
- 1.4. This strategy is justified by the fact that all officials, including the Head of Department and Ministry has a demand for inventory to perform official duties aimed at attaining measurable objectives.

2. POLICY AIM

The aim of this policy is to establish a strategy to manage inventory compliant with prescripts in a uniform manner as to enable accountability for utilisation of interim financial statements.

3. LEGISLATIVE FRAMEWORK

- 3.1. Public Finance Management Act, (Act 1 of 1999) as amended by Public Finance Management Amendment Act (Act 29 of 1999)
- 3.2. Treasury Regulations, 2005, issued in terms of the Public Finance Management Act ,1999
- 3.3. National Treasury's Inventory Management Framework, 2009.

4. POLICY SCOPE

This policy applies to all employees of the Department of Transport, Safety and Liaison.

¹ Assets classified as inventory required to enable end-users (line functionaries) to perform their official's duties, with a view to attain measurable strategic objectives. Inventory has future economic benefits that will flow to Department, has a lifespan for longer than twelve (12) months and could be serviceable.

5. POLICY STATEMENT

It is the policy of the Northern Cape Department of Transport, Safety and Liaison:

5.1. Guiding Principle

- 5.1.1. That the Department applies the “just in time principle”² regarding the acquisition and management of inventory required to attain its strategic goals.
- 5.1.2. Minimum inventory at hand will result in less inventory management activities and less regarding the monetary value of such inventory.
- 5.1.3. Cost centre³ managers⁴ are to ensure frequent requisitioning of lower inventory volumes, by applying JIT principle.
- 5.1.4. Lower inventory volumes (one in use by the end-user⁵ and one on hand) allow immediate issuing of inventory to end users.
- 5.1.5. Immediate issuing of minimum inventory to the end user will result in record keeping of inventory received from supply chain management and issued to the end user only.
- 5.1.6. Responsibility for minimum inventory received and immediately issued is thus transferred to the end user.
- 5.1.7. The end-user is also responsible for requisitioning inventory just-time (JIT). The end-user is thus enabled to plan properly for inventory required to perform the activities set out in the individual work plan.
- 5.1.8. Activities as per end-user’s individual work plan are to be aligned with and guided by the directorate, program or sub-programmes budget allocation, as well as its approved Annual Performance Plan (APP).

² Cost Centre’s requisition for inventory shall reach supply chain management as least five (5) days before the end – user requires the goods.

³ The programme or sub-programme that has an allocated budget, in order to perform official duties aimed at attaining measurable strategic objectives.

⁴ The official responsible for managing a directorate, programme or sub- programmes budget inter alia by authorizing the requisition for inventory required by a Cost Centre to perform its duties.

⁵ The official in a directorate, programme or sub-programme who has a demand/need for inventory in order to perform official duties with a view to attain a particular programmes measurable strategic objectives.

5.2. Ammunition

- 5.2.1. Ammunition is regarded as an integral part of a fire arm.
- 5.2.2. A register for issuing and returning of fire arms, as well as the number of ammunitions per fire arm will be maintained.
- 5.2.3. For the purpose of accounting for ammunition and its value it will be recorded in the AFS and IFS and be verified by the asset controllers during asset verification.

5.3. Summons Books

- 5.3.1. Summons books can be regarded as face value forms.
- 5.3.2. A register for the issuing and returning summons books will be maintained.

5.4. Inventory acquired from the Discretionary Fund

- 5.4.1. From time to time the Office of the Member of the Executive Council (MEC) acquires goods that are regarded as inventory for public beneficiaries e.g.:
 - 5.4.1.1. Building material for the construction of an informal house acquired e.g. for Mandela Day projects.
 - 5.4.1.2. In the event that school uniforms for indigent scholars are acquired for beginning of school year.

6. ROLES AND RESPONSIBILITIES

6.1. Traffic Station Managers

- 6.1.1. Should maintain a register for issuing and returning of fire arms, as well as the number of ammunitions per fire arm.
- 6.1.2. Should maintain a register for the issuing and returning summons books.

6.2. Legal Services and Transport Regulations

- 6.2.1. Will submit internal requisition to Supply Chain Management as and when Regulations require.

6.3. Asset Management Unit

6.3.1. Shall keep record and give input regarding the number of law books acquired to Financial Accounting for the purpose of AFS and IFS.

6.4. Head of Ministry

6.4.1. Is to ensure that beneficiaries of inventory, such as building material and school uniforms, are to sign for receipt of said inventory.

6.5. Supply Chain Management

6.5.1. Is to bind acknowledgement of receipt of inventory by a public beneficiary with all other relevant documents in the payment batch.

6.6. Cost Centre Clerk:

6.6.1. Responsible for collating demands/needs of end-users in a particular directorate, programme or sub-programme for approval by the Cost Centre Manager

6.6.2. Responsible for issuing inventory to end users.

7. REVIEW AND DISTRIBUTION

7.1. The Chief Financial Officer is responsible for this policy and for ensuring that it is reviewed and updated.

7.2. This Policy will be reviewed after 18 months but no later than 3 years of the last publication date. If necessary, an updated version will be issued, if not a formal cover letter will be issued to supplement the cover of this Policy (identifying a revised publication date).

7.3. The senior manager for Policy & Planning will distribute updated versions to:

- Member of the Executive Council
- Head of Department
- All senior managers who will in turn distribute to their staff as appropriate.