



# INVENTORY MANAGEMENT POLICY 2026/2027

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Financial Policy No. 14  
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<https://www.laingsburg.gov.za>

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## 1. DEFINITIONS

In this Policy, unless the context indicates otherwise, the following definitions are applied:

TERM	DEFINITION
<b>Accounting Officer</b>	The Municipal Manager of the municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).
<b>CFO</b>	The Chief Financial Officer designated in terms of section 80(2)(a) of the MFMA.
<b>Cost</b>	Shall comprise costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.
<b>Goods received note (GRN)</b>	A document which is used to acknowledge the receipt of goods in good condition and correct quantities.
<b>Inventory</b>	An asset in the form of materials or supplies to be consumed in the production process, distributed in the rendering of services, held for sale or distribution in the ordinary course of operations, or in the process of production for sale or distribution.
<b>Obsolete inventory</b>	Items that have expired, are redundant or damaged.
<b>Re-order level</b>	The level of inventory at which inventory is reordered.
<b>Storeman</b>	The official responsible for the requisition, receipt, issue, recording, safeguarding of inventory and cost-effective and efficient management of inventory.

## **2. OBJECTIVE OF THE POLICY**

The policy aims to achieve the following objectives:

- a) Offer comprehensive guidance to all employees for the effective management, control, safeguarding, and disposal of inventory.
- b) Ensure inventory is procured in line with the established procurement principles contained in the Laingsburg Supply Chain Management (SCM) Policy.
- c) Establish standalone Standard Operating Procedures (SOPs) for setting inventory levels, placing of orders, receiving and distribution of goods, warehouse management, expediting orders, transport management, vendor performance, maintenance, and contract administration.
- d) Eliminate the risk of inventory misuse, potential theft, and workplace accidents by implementing a structured health and safety management system.

## **3. SCOPE**

This policy applies to Laingsburg Local Municipality's inventory, encompassing all items received by the Storeman and subsequently issued to users. This policy specifically excludes equipment and other assets not defined as inventory.

## **4. LEGAL FRAMEWORK AND RECOGNITION**

In terms of the MFMA, the Accounting Officer must be responsible for the effective, efficient, economical, and transparent use of the resources of the municipality and the safeguarding of assets. In accordance with GRAP 12, inventory that meets the criteria for recognition as an asset shall initially be measured at cost. Inventory shall be measured after recognition at the lower of cost and net realizable value.

## **5. INVENTORY MANAGEMENT PROCEDURES**

### **5.1. Appointment of Responsible Officials and Segregation of Duties**

- a) The CFO or delegated authority must appoint, in writing, officials to perform the duties of a Storeman.

- b) Given the Laingsburg Municipality's organizational structure, which provides for one Storeman supported by SCM Administrators and the Accountant: SCM, adequate segregation of duties must be rigorously maintained. Specifically, verification checks during receipt and issue must involve an SCM Administrator or the Accountant: SCM to prevent errors and fraud.

## **5.2. Setting Inventory Levels**

- a) Inventory levels shall be continuously assessed to meet the needs of users.
- b) The Storeman, overseen by the Accountant: SCM, must establish and maintain minimum and maximum inventory levels, as well as re-order levels and lead times for all goods placed in stock

## **5.3. Ordering and Expediting of Orders**

- a) Standard procedures in accordance with the municipality's approved SCM policy shall be implemented for the ordering of inventory.
- b) The SCM unit must actively expedite outstanding orders to ensure service delivery is not interrupted, maintaining documented communication with suppliers regarding delayed deliveries.

## **5.4. Receipt of Inventory**

- a) The receiving of goods shall take place at the stores, which shall be physically secured and access-controlled.
- b) Goods shall be offloaded in the presence of an SCM Administrator who shall verify the quantity and description against the purchase order and delivery note.
- c) The SCM Administrator must reject all incorrect deliveries and clearly identify rejections on both copies of the delivery note.
- d) The Storeman must prepare the Goods Received Note (GRN) to record all inventory actually received.

### **5.5. Storage, Warehouse, and Health & Safety Management**

- a) Inventory must be stored in a secured, exclusive-use area, under lock and key.
- b) Items must be clearly labeled for easy identification, detailing the order number, receipt date, quantities, and re-order levels. Items with a limited shelf life must be rotated on a first-in-first-out (FIFO) basis.
- c) **Health and Safety:** The municipality shall implement a structured health and safety management system within the storage facilities. This includes conducting regular risk assessments, ensuring legal compliance, maintaining fire extinguishing equipment, providing appropriate training, and establishing emergency preparedness protocols to protect employees and municipal property from inventory-related accidents.

### **5.6. Issue, Distribution, and Transport Management**

- a) Only the Storeman is authorized to issue inventory from the stores based on an approved requisition form.
- b) The official receiving the inventory must acknowledge receipt by signing the store issue note.
- c) Due diligence must be exercised during the distribution and transport of inventory to end-user departments or municipal sites to prevent damage, loss, or theft during transit.

### **5.7. Vendor Performance Monitoring**

- a) The Accountant: SCM and the Storeman must continually monitor and review supply vendor performance.
- b) This review must ensure compliance with specifications, delivery lead times, and contract conditions for all goods.

## **5.8. Inventory Counts**

- a) Items shall be subject to an inventory count every quarter to ensure regular accuracy checks.
- b) Count staff shall be divided into teams, with at least one independent member per team who is not involved in daily inventory management.
- c) Discrepancies between the inventory records and the physical count must be documented and investigated by a delegated authority, who will report the findings to the CFO or delegated authority.

## **5.9. Obsolete Inventory**

- a) The Accounting Officer or delegated authority must convene a meeting of the Council for the disposal of obsolete inventory.
- b) The Council may approve the write-off of inventory if it has expired, is redundant, outdated, or damaged.

## **6. SYSTEM INTEGRATION AND AUTOMATION**

- a) To minimize manual handling and improve audit trails, the municipality shall progressively transition to a fully integrated electronic back-office system.
- b) The inventory management system must be progressively integrated beyond the creditors module to include linkages to stores requisitions, job costing, project management, and the SDBIP system.

## **7. INVENTORY RECORDS**

- a) An inventory record must be maintained for all inventory items, either manually or electronically.
- b) The records must include the item description, order date, quantity and value of stock on hand, received, and issued, as well as re-order levels.



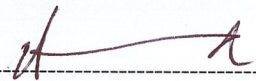
## **8. REPORTING**

- a) The Storeman shall provide a monthly report detailing the total value of monthly issues, usage by departments, and outstanding deliveries.
- b) A report must be submitted at least quarterly to the CFO or delegated authority detailing inventory shortages/surpluses, proposed write-offs, and obsolete items.
- c) Inventory purchased during the financial year must be disclosed at cost or net realizable value in the disclosure notes of the Financial Statements.

## **9. POLICY ADOPTION**

This policy has been reviewed and approved by the Council of Laingsburg Local Municipality and is applicable with effect from 01 July 2026.

## DOCUMENT CONTROL

VERSION AND DOCUMENT CONTROL			
			
<b>POLICY NAME:</b>	Inventory Management Policy		
<b>POLICY OWNER:</b>	Finance and Compliance Services / SCM		
<b>RELATED POLICIES:</b>	Supply Chain Management Policy		
<b>REVIEW:</b>	Annually	<b>Budget Policy</b>	Yes
<b>POLICY EFFECTIVE DATE:</b>	01 July 2026	<b>Budget Policy Nr</b>	14
Version	Date	Adoption	Revision
1	22 March 2026	28 May 2026	
2	N/A		1 <sup>st</sup> Revision
3			2 <sup>nd</sup> Revision
4			3 <sup>rd</sup> Revision
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Municipal Manager J. Booyesen		Mayor A. Theron	
Date: 28 May 2026		Date: 28 May 2026	