



Province of the
EASTERN CAPE
SOCIAL DEVELOPMENT

SOP File Number:

ASSET MANAGEMENT -INV -01

SOP Version:

V.001

Document Owner:

Director- Asset Management

STANDARD OPERATING PROCEDURE: INVENTORY MANAGEMENT PROCESS

Approval Date	17 October 2019
Commencement Date	Date of Approval
Review Date	17 October 2020
Periodical Review	Annually
Resources	Staff, ICT equipment
Intent of SOP	To document the standard operating procedure (SOP) for effectively, efficiently and economically manage inventory for contribution towards service delivery in a responsible, equitable, transparent and accountable manner.
Scope	The SOP applies to the process of stocking consumables i.e. stationary and I.T consumables the Department of Social Development within the Eastern Cape Provincial Government
Objective(s)	The objective of the process is to provide a systematic, transparent policy in line with inventory Management Framework that is in accordance that is in accordance with the legislative and regulatory environment, for management of inventory in the Eastern Cape Department of Social Development.
Definitions	Consumable items: relatively cheap items of which the administration or of which some lose their identity in the process of utilization.
Desired Performance	Inventory Management system that is aligned to the departmental strategic plan; mission and adequately funded to benefit the communities Inventory function regarded as a national priority alongside the other national delivery priorities and adequately funded in order to benefit the vulnerable social groups in our communities.
Key Performance Indicator	To effectively, efficiently and economically manage proper inventory/consumable levels for contribution towards service delivery in a responsible, equitable transparent and accountable manner
Principles	The principles and values as listed in the policy as follows: a) Consultation – Consulting the end-users in any decisions or changes that would affect their performance is of importance. Exercises physical and financial control over all requisitions.

	<p>b) Transparency – The Department has a legal responsibility to inform all employees to exercise honesty and trustworthy.</p> <p>c) Accountability – All stakeholders should take part in the implementation of the policy.</p> <p>d) Fairness – every employee should be treated fair irrespective of age and gender.</p>
Compliance measure	<p>General Rules for Purchasing</p> <p>a) All purchases shall be in accordance with the relevant sections of the Public Finance Management Act, the Treasury Regulations or other directives issued by the Treasury from time to time.</p> <p>b) The purchase of quantities of an item should be to the best advantage of the institution.</p> <p>c) Purchases shall be limited to essential items/services.</p> <p>d) Items must have been budgeted for, funds been voted and sufficient reserve funds available to finance the expenditure.</p> <p>e) Items not on contract necessary quotations should be obtained by making use of the supplier database, or bids have to be invited for the supply of items.</p> <p>f) Possible risk of loss resulting from keeping reserve stock must be avoided or minimized.</p>
Performance Measure	To ensure continued availability of inventory and consumable material for rendering services to the community.
Process input	<ul style="list-style-type: none"> • Inventory • Stationery Needs of the department and institution
Process Output	Issuing of consumables and inventories for service delivery

STEP BY STEP GUIDE					
MANAGEMENT OF CONSUMABLE STOCK					
NR	TASK NAME	TASK PROCEDURE	RESPONSIBILITY	SUPPORTING DOCUMENTATION	SERVICE STANDARD
1	Gather stock requirements information	<ul style="list-style-type: none"> Ensure that the Bin Cards are updated Estimate stock requirements based on historical data and received specialized requests Utilize the Bin cards for the estimation Compile pre-specification utilizing end user requirements. If it below 30 000 submit for approval Recommends the specification covering letter Sign the specification if the total stock price is above 30 000 Forward the signed specification to Demand management. 	Admin Officer Admin Officer Admin Officer Assistant Director Assistant Director Deputy Director Director Deputy Director: Asset management	<ul style="list-style-type: none"> Stock count report Bin card Pre-specification 	1 Month
2	Receive Awarded Bid document specification	<ul style="list-style-type: none"> Receive the approved procurement document Issue the Order by following the relevant procurement process <p style="text-align: center;">If Specification <29 999</p> <p style="text-align: center;">If Specification >=30 000</p> <ul style="list-style-type: none"> Receive the awarded Bid document and the SLA document Schedule the meeting with the awarded service provider Issue the Order by following the relevant procurement process 	Assistant Director Deputy Director	<ul style="list-style-type: none"> Approved procurement document Order Awarded Bid Document SLA Document Order 	1 day

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3	Receive stock into warehouse	<p>Check delivered stock for quantity and quality according to the specification as stipulated in the Inventory / Consumable Management Policy:</p> <p>6.16 Receiving of Items</p> <p>6.16.1 Collection of items from the supplier / depot</p> <p>a) If the items are packed and received in sealed boxes the receiver must check the contents and the recipient must sign for the number of items received and the delivery note is to be endorsed. 'Contents checked'</p> <p>In cases where the boxes cannot be checked, the recipient will sign for the number of boxes received and the delivery note is to be endorsed. 'Contents not checked'</p> <p>b) If the acknowledgement of receipt is likewise endorsed, the supplier can be held responsible for any shortages that may come to light when the items are unpacked;</p> <p>c) If receipt is acknowledged without the said endorsement, the supplier cannot be held liable for any shortage at a later stage;</p> <p>d) Irrespective of the stipulations regarding delivery conditions, responsibility is passed to the buyer as soon as receipt of items has been acknowledged. Therefore, the official, whatever the post he/she may hold accepts full responsibility of the quantity of boxes/ volume/mass as soon as he/she signs for delivered items.</p> <p>6.17 General</p> <p>a) All items received should pass through the TMS for checking before being taken into stock; the verification is extremely important;</p>	Receiving Clerk General Assistants	<ul style="list-style-type: none"> Signed Delivery Note Captured GRV 	1 day

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		<p>b) items are to be verified as soon as possible after receipt;</p> <p>c) The inspection of incoming items is a specialized function and should be carried out by a trained personnel, if necessary, an expert in the particular product can be approached to assist in the verification process;</p> <p>d) When items are received it is to be established whether the order is expected by checking the relevant number reflected on the delivery note against the outstanding orders;</p> <p>e) items may not be received unless an order form or similar document is available;</p> <p>f) Delivered items are to be verified against the order and other relevant documents as follows:</p> <ol style="list-style-type: none"> i. Firstly, the correctness - that the items received are in fact the items that were ordered e.g. specification; ii. Secondly, the quantity received; iii. Lastly, the quality - items are to be checked for defects and/or inferior quality; <p>j) Any evidence of tampering, damage or short delivery is to be investigated immediately and particulars are to be endorsed on the delivery note;</p> <p>k) Discrepancies with regard to the correctness, quantity or the quality, must be indicated on the receipt voucher reflecting "rejected" and reasons for rejection must be indicated</p> <p>1) items may not be left in the TMS longer than forty-eight hours (48hrs);</p>			

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		<p>m) When items are received in boxes, the external condition of such holders are to be checked for damage or tampering before the delivery note may be signed;</p> <p>n) If the box is damaged, the package must be returned to the supplier;</p> <p>o) If the contents are not unpacked and checked on receipt the delivery note is to be endorsed 'contents not checked';</p> <p>6.18 Receipt and Distribution of Inventory Items where an IMS is in Operation</p> <p>6.18.1 Full delivery</p> <p>The TMS must update the following documents</p> <p>a) Updates the bin cards by entering the 'quantity received' and the total cost</p> <p>b) On receipt of item/inventories and invoice the TMS prepares the goods receipt voucher (GRV). This declares that the item/s was/were received in good order and that payment can be made for the item/s.</p> <p>c) The warehouse personnel must then: verify that the quantity received corresponds to the quantity indicated on the GRV(b) Updates the balance on the Bin Record (SLD4) must be increased</p> <p>d) The TMS official must then: forward the payment copy of the order, invoice, delivery note to accounts for payment;</p> <p>6.19 Faulty deliveries</p> <p>6.19.1 Late deliveries</p> <p>a) If effective delivery does not take place on the diarized (expected) delivery date, the TMS clerk must notify the senior</p>			

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		<p>stores official immediately. The senior stores official should then query the supplier telephonically and also in writing if necessary</p> <p>b) A future date of delivery is then decided upon, and the matter is then diarized accordingly</p> <p>c) If the order still remains undelivered after extended period, the supplier in question will be reported to contract management who will then follow up with the supplier.</p> <p>6.19.2 Short delivery</p> <p>a) If short delivery occurs, the delivery note is to be endorsed accordingly,</p> <p>b) The quantity actually received is to be taken on charge,</p> <p>c) If the ordered quantity has been invoiced, but not delivered in full the supplier is to be requested to;</p> <p>i. Effect delivery of the balance; or</p> <p>ii. Provide an amended invoice reflecting the quantity actually received</p> <p>d) The account shall not be settled until such time as the shortfall has been adjusted by the methods described</p> <p>e) The supplier's account is to be submitted without delay, for settlement of the full amount.</p> <p>f) If sealed box is opened and it is found that there is shortage, but no sign of tampering or damage is visible; it is probable that the supplier has made an error. Sound and careful judgment is to be used when determining liability</p> <p>6.20 Surplus delivery</p> <p>Only the quantity that was ordered is to be taken on charge. Delivery in excess of the ordered quantity should be returned to the supplier</p>			

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4	Capture stock into Ledger accounts	<ul style="list-style-type: none"> Pack items on the relevant bins Take the quote, GRV and capture items on the respectively Ledger Account 	Admin Clerk	<ul style="list-style-type: none"> Received stock Updated ledger accounts 	1 Month
5	Receive stock request for the Directorate	<ul style="list-style-type: none"> Receive Directorate request Verify if the form is completed accordingly Check the stock levels against the needs of the department Approve the VA2 form 	Admin officer Assistant Director	<ul style="list-style-type: none"> Signed VA2 form Approved VA2 form 	1 day
6	Approve issuing of stock for the requisition as per availability	<ul style="list-style-type: none"> Approve issuing of stock according to stock levels if stock is available 	Senior Stores Official	<ul style="list-style-type: none"> Signed VA2 Form 	1 day
7	Issue the stock	<ul style="list-style-type: none"> Issue stock as approved by Senior Stores Official. Update bin cards, minus stock to get the available stock levels. Retain and file the original VA2 Form per directorate Give copy to the Chief User Clerk as proof of receipt Give one copy to the security guards at the Gate 	Warehouse Practitioner	<ul style="list-style-type: none"> Signed Order Signed VA2 Form Updated bin cards 	1 day
8	Issue stock out of Ledger account as per VA2 Form	<ul style="list-style-type: none"> Update the Ledger Accounts with the stock issued using the VA2 Form 	Warehouse Practitioner	<ul style="list-style-type: none"> Updated Ledger account 	1 day
9	Appoint stock count teams	<ul style="list-style-type: none"> Appoint Stock Count Chairperson Appoints stock count teams to perform stock take Draft appointment letters Sign appointment letters Issue signed appointment letters Ensure that Stock count teams do not include Stores personnel of the office where stock count is to be performed 	Count Chairperson Senior Stores officer Count Chairperson	<ul style="list-style-type: none"> Signed Appointment Letter Stock count roster Invitation 	1 week

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		<ul style="list-style-type: none"> Compile the stock count roster and invites stock count teams as per roster 			
10	Perform stock count	<ul style="list-style-type: none"> Appoint two independent stock counting teams Perform stock count monthly, quarterly and annually Use the stock count sheet to perform physical stock take Compare results of the two teams 	Stock Count team	<ul style="list-style-type: none"> Stock Count Sheet 	1 Month
11	Reconciliation of stock on hand against the Ledger card	<ul style="list-style-type: none"> Reconcile physical stock on hand against the Ledger Accounts balance Where there is a shortage or surplus, investigate the deviation and ensure that the physical stock balances with the stock on the Ledger Accounts Investigate the route cause if the stock does not balance and recommend steps to be taken Involve Risk Management if necessary 	Warehouse Practitioner	<ul style="list-style-type: none"> Stock Reconciliation Report 	1 Month
12	Monitor the process and consolidate statement report	<ul style="list-style-type: none"> Cost stock after the stock count and journalize in the BAS system therefore the Expenditure incurred must balance with the inventory costs Monitor stock levels Prepare quarterly and annual financial statements (Expenditure Report) 	Warehouse Practitioner	<ul style="list-style-type: none"> Monthly Expenditure Report as per allocated budget 	On-going

LEGISLATION, POLICIES, PROCEDURES & OTHER DOCUMENTATION (i.e. SOPs)

Document Name	Act section or Document description	Effective Date (if applicable)
PFMA	<p>PART 2 section 38 States the following:</p> <p>1.(d) Ensuring safeguarding and the maintenance of the assets, and for the management of the liabilities of the department</p> <p>39 Ensuring that the expenditure (of inventories and consumables) is in accordance with the vote of the department and main divisions within the vote</p> <p>40 (1)(a) To keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards</p> <p>45(b) Effective, efficient, economical and transparent use of financial and other resources</p> <p>Modified Cash Standards: Paragraph 97</p> <p>(7) Consumable Items are items that are not directly linked to the service delivery needs of a department</p> <p>(09) Inventory is recorded when it is purchased / produced and considered as issued when it is no longer under the control of the department. Control is relinquished when the inventory is sold or distributed to the community and delivered or collected. Where a production process is conducted, raw materials are considered as issued when they become part of the production process</p>	1999
Compliance Document	Compliance Testing Inventory Management Response Template	
System Description	System Description on Inventory Management	

PROCESS RISKS

Risk Name	Risk Description	Probability (H/M/L)	Impact (H/M/L)	Control Description	System / Manual
Shortage of Budget	Needs analysis are not performed before the allocation of budget in order to ensure that the needs are prioritised.	H	H	Director: Budget Planning and Director: Asset Management to ensure that needs analysis is performed before allocation of budget	Manual
Shortage of Personnel	Lack of segregation of duties and therefore no proper internal controls due to Insufficient personnel.	H	H	District Directors and Director Asset Management to facilitate the appointment of more personnel. Implement a system and create relevant roles and assign correct authorisations	System & Manual
Lack of Monitoring & Evaluation	No monitoring and evaluation of staff in the district stores due to lack of working tools e.g. vehicles	H	H	District Directors and Director Asset Management to avail tools of trade to the Inventory Management Unit for Inventory Monitoring	Manual

AUTHORIZATION

Authorization:	Name:	Comment	Signature:	Date:
Quality Checked By Director : Management Information Services	N. A. Mazizi	Quality checked. The process & cost must be reviewed to ensure relevance in one year's time.		10/10/2019
Recommended by: Acting Chief Information Officer:	M. Gazi			
Recommended by Director - Asset Management	G. Marshall	The review should include 		10/10/2019
Recommended by: Acting Chief Financial Officer	N. Ngcingwana	On review of these procedures reporting requirements of financial statements must be considered.		11/10/2019
Recommended by: Acting Deputy Director General	Z. Ganca	 		15/10/2019
Approved by: HOD	N. Baart	 		17/10/2019
Distribution and Use of SOP		District Directors, Corporate Service Managers, Service Managers, Area Deputy Directors, Assistant Directors		