A - F (32 – 2026) **CM 23/06/2026**	**FINANCE DEPARTMENT: MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) FOR 2026/27 TO 2028/29 AND THE AMENDMENT 2022/23 TO 2026/27 INTERGRATED DEVELOPMENT PLAN (IDP) (2026/27).**

9.10. That **Council APPROVE** the amended **Policies** and **By-Laws** as contained in **Annexure E** to guide the implementation of the municipality's annual budget**.**

POLICIES

Annexure E1 Medium – Term Budget Statement Policy (Reviewed)………………..…....

Annexure E2 Pricing Policy Statement (Reviewed)……………..……………..…………

Annexure E3 Property Rates Policy (Reviewed)…………………………………………… ....

Annexure E4.1 Provision of Free Basic Electricity Policy (Reviewed)…………………..… ....

Annexure E4.2 Provision of free Basic Water supply services (Reviewed)……………..…….

Annexure E5 Waste Management Tariff Policy (Reviewed)……………………………….....................

Annexure E6 Consumer Deposit Policy (Reviewed)……………………………………….. ....

Annexure E7 Indigent Support Policy (Reviewed)………………………………………… ....

Annexure E8 Credit Control & Debt Collection Policy (Reviewed)……………………... ....

Annexure E9 Provision for Doubtful Debt and Debt Write-Off Policy) (Reviewed) ....

Annexure E10 Budget Implementation and Monitoring Policy (Reviewed)…………… ....

Annexure E11 Municipal Entity Financial Support Policy (Reviewed)…………………… ....

Annexure E12 Accounting Policy (Reviewed)……………………………………………....................

Annexure E13 Electricity Metering for Residential and business Customers (Reviewed)… ....

Annexure E14 Policy for the vending of pre-paid electricity (Reviewed)………………........................

Annexure E15 Policy for the Estimation and Correction of Energy or Demand Meter Reading and Billing Data (Reviewed)………………………………………………… ....

Annexure E16 Electricity Tariff Policy (Reviewed)……………………………………….. ....

Annexure E17 Virements Policy (Reviewed)……………………………………………….....................

Annexure E18 Consumer Agreement Policy (Reviewed)……………………………………...................

Annexure E19 Supply Chain Management Policy (Reviewed)………………………….. ....

Annexure E20 Treasury Policy (Reviewed)…………………………………………………. ....

Annexure E21 Expanded Public Works Programme Policy (Reviewed)………………… ....

Annexure E22 Asset Management Policy (Reviewed)……………………………………. ....

Annexure E23 Cost Containment Policy (Reviewed)……………………………………... ....

Annexure E24 Policy for the wheeling of Electricity (Reviewed)………………………… ....

Annexure E25 Policy for Embedded Generation Ekurhuleni (Reviewed)………………... ....

Annexure E26 Ekurhuleni Community Enterprise Development Fund Policy (Reviewed)...………………………………………………………………………………… ....

Annexure E27 Long Term Financial Strategy 2020/21-2029/30 (Reviewed)..…………… ....

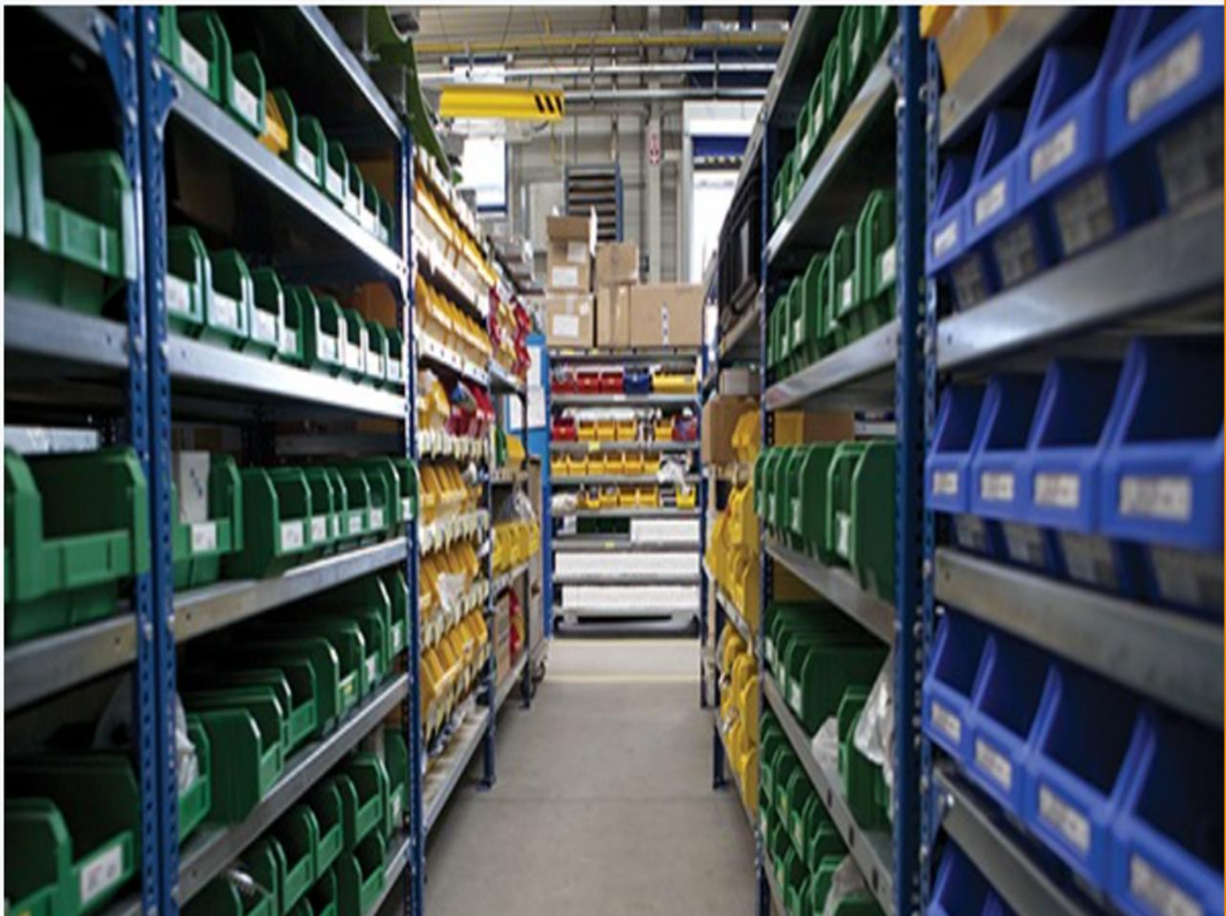
Annexure E28 Ekurhuleni Public Employment Programme & Implementation Framework Policy (Reviewed)……………...………………………………………………………

Annexure E29 CoE Inventory Management Policy (Reviewed) ………….…..………….

Annexure E30 Unauthorised, Irregular and Fruitless and Wasteful Expenditure Policy (UIFW) (Reviewed)…..…………………………………………………………

Annexure E31 Investment Support Package for Developers Policy (Reviewed)……

INVENTORY MANAGEMENT POLICY



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1. DEFINITIONS

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

"Accounting Officer"	means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003
"CFO"	means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act, 56 of 2003
''Cost''	shall comprise costs of purchase, costs conversion and other costs incurred in bringing the inventories to their present location and condition
"Delegated authority"	means the official who is given the authority for relevant functions in terms of the municipality's written delegations;
''Good received note''	means a document which is used to acknowledge the receipt of goods in good condition and correct quantities
"Inventories"	are assets: In the form of material or supplies to be consumed in the production process, In the form of materials or supplies to be consumed or 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
"Municipality/ City"	shall mean the City of Ekurhuleni;
"Net Realisable Value''	Is the estimated selling price in the ordinary course of operations less the estimated costs of completion and estimated costs necessary to make the sale exchange or distribution.
"Obsolete inventory"	means items that have expired, are redundant or damaged;
"Re-order level"	means the level of inventory at which inventory is re-ordered;
"Requisition form"	means electronic or manual written request to supply specified inventory;
"Store"	means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;
"Store/Inventory Controller"	means an official responsible for the requisition, receipt, issue, recording, safeguarding of inventory and cost-effective and efficient management of inventory.
''Stock Issue Register''	means a document which is used to authorize the removal or issue of stock items from stores.

2. OBJECTIVE OF THE POLICY

2.1 The policy aims to achieve the following objectives which are to:

a) Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.

b) Procure inventory in line with the established procurement principles contained in the City's Supply Chain Management Policy.

c) Eliminate any potential misuse of inventory and possible theft.

3. SCOPE

3.1 This policy applies to City of Ekurhuleni's inventory received by the Store/Inventory Controller and issued to users.

3.2 This policy specifically excludes:

a) Pharmaceutical inventory, livestock and face value forms; and

b) Equipment and other assets not defined as inventory;

4. LEGAL FRAMEWORK

4.1 In terms of the MFMA, the Accounting Officer for a municipality must:

a) Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1)(a);

b) Take all reasonable steps to prevent unauthorised, irregular, and fruitless and wasteful expenditure and other losses as per section 62(1)(d);

c) Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1)(a) and (b).

4.2 In terms of GRAP 12:

4.2.1 Inventories shall be recognized 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.

4.3 MEASUREMENT AT RECOGNITION

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

4.3.2 Where inventories are acquired at no cost, or for nominal consideration by the City, their costs shall be their fair value as at the date of acquisition.

4.4 MEASUREMENT AFTER RECOGNITION

4.4.1 Inventories shall be measured at the lower of cost and net realization value, except where paragraph 18 of GRAP 12 applies.

4.4.2 Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

a) distribution at no charge or for a nominal charge, or

b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

4.5 RECOGNITION AS AN EXPENSE

4.5.1 The carrying amount of inventories is recognised as an expense in the period that the inventory is sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The first-in-first-out method is the basis of allocating costs to inventories, except for water balance which is determined at weighted average cost at the reporting date based on the water volume in the network on hand.

4.5.2 Redundant and slow-moving inventories are identified and written down to the estimated net realisable value, and are recognised as an expense in the period in which the write-down or loss occurs. Inventories identified for write-down/write-off, but for which a council resolution, to authorise the write-down/write-off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

4.5.3 The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.5.3 Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful life of that asset.

5. INVENTORY PROCEDURES

5.1 The procedures for inventory must be followed to ensure that:

a) Inventory is safeguarded at all times;
b) There are accurate records of quantities on hand at all times;
c) Optimum inventory levels are maintained to meet the needs of users;
d) Only authorised issues of inventory are made to users; and
e) Items placed in store are secured and only used for the purpose for which they were purchased.

5.2 APPOINTMENT OF RESPONSIBLE OFFICIALS

5.2.1 The GCFO must appoint, in writing, officials to perform the duties of an Inventory/ Store Controller in terms of this Policy.

5.2.2 Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

5.3 ORDERING OF INVENTORY

5.3.1 The stores department must set the Inventory reorder levels for all items in consultation with the user departments, the inventory levels must indicate the minimum and maximum inventory that can be maintained.

5.3.2 Access to the inventory levels should be restricted only to the Inventory/Store Controller to avoid unauthorised manipulation.

5.3.3 Due diligence and care shall be exercised in identifying low value and high value items of inventory

5.3.4 Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up on inventory.

5.3.5 A reorder listing should be printed by the Senior Storeman and reviewed weekly by the Stores Controller.

5.3.6 The Senior Storeman and Store Controller must use the listing as a primary source of information to generate the purchase requisition of stock on the financial system.

5.3.7 The SCM division will be responsible for the procurement process in line with the SCM policy and then generate a purchase order form to the most responsive bidder.

5.3.7

5.3.8 Purchase orders must thereafter be filed so that suppliers can be traced for delivery to avoid long outstanding orders.

5.3.9 This file must form the basis for follow up of orders and for matching goods that are delivered to the stores premises.

5.3.10 The orders file should be reviewed weekly by the Stores Controller and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately by the Stores Clerk.

5.4 RECEIPT OF INVENTORY

5.4.1 The quantity and quality of the inventory received from suppliers must be according to specifications and information on the order form

5.4.2 The Senior Storeman and Storeman must compare the delivery note to the purchase order before accepting the goods.

5.4.3 The invoice or delivery note must match the supplier name and order number.

5.4.4 The Senior Storeman must prepare the Goods Received Note to record all the inventory items ordered and received in good condition

5.4.5 The Senior Storeman and Storeman must ensure that:

a) All delivery notes are signed by him/her and the driver

b) All incorrect delivery items are rejected and clearly identified on both copies of the delivery note; and

c) The supplier signs all amendments

5.4.7 The inventories must be stored in their respective sections/shelves once they have been received.

5.4.8 The inventory record/register/database or system must be updated on the day the goods are received, by the Senior Storeman and the Storeman.

5.5 STORAGE OF INVENTORY

5.5.1 Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the City.

5.5.2 The area must be used exclusively for the storage of inventory, with limited authorised access only.

5.5.3 Inventory must be positioned to facilitate efficient handling and checking.

5.5.4 All items must be stored separately, with proper segregation and labelling.

5.5.5 Inventory must be clearly labelled for easy identification. Inventory bin cards must be used to identify each item and to aid in the physical verification of the items. In addition all aisles should be clearly laballed for ease of identification of items.

5.5.6 Where practically possible, all items of the same type and reference must be stored together as per the description on the inventory records.

5.5.7 Items with limited shelf life must be rotated on a first in first out basis, in accordance with paragraph .35 of GRAP, to reduce the occurrence of expired or obsolete stocks.

5.5.8 Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.

5.5.9 Due regard must be given to any safety standards which may apply to the storage of certain inventories.

5.5.10 Steps must be taken to ensure safe custody of items, including precautions against loss or theft.

5.5.11 The Inventory Controller or Delegated Official (Senior Storeman) responsible for the custody and care of inventory must ensure that in his/her absence such items, where applicable, are securely stored.

5.5.12 The responsibility for the custody of the storeroom keys must be allocated to the Store Controller or Senior Storeman, where the Store Controller is not available..

5.5.13 No unauthorised persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official. Details of any official not authorized must be recorded in the register before accessing the storeroom.

5.5.14 Whenever a change in the Inventory Controller occurs, an inventory count must be conducted.

5.5.15 An independent official shall be nominated in writing by the delegated authority to assist the official handing and taking over with the checking of the inventory and any discrepancies.

5.5.16 Should the above not be complied with, the official taking over shall be liable for any discrepancies.

5.5.17 A handing-over certificate as prescribed by the GCFO, must be completed by the handing and taking over officials and a copy retained for record purposes.

5.5.18 The following fire protection precautions must be adhered to:

a) Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;

b) The area must be clearly signposted; and

c) Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

5.5.19 All officials should at all times wear safety uniform eg safety boots, gloves, helmet, PPE to avoid possible injuries when in the storeroom.

5.6 ISSUE OF INVENTORY

5.6.1 Only the Inventory Controller is authorised to issue inventory from the storeroom

5.6.2 Inventory must only be issued in terms of the approved requisition form of the City.

5.6.3 All requisition forms must be ruled off immediately below the last item to prevent items being added once the requisition is authorised by the responsibility manager.

5.6.4 The Inventory Controller must prepare the Stock Issue Register once stock items to be issued have been picked up from the shelves

5.6.5 The official receiving the inventory must acknowledge the receipt of stock items requested, by signing the Stock requisition/Issue Register prepared by the Inventory Controller.

5.6.6 Inventories must be issued and used for official purposes only and the relevant authorities from the requesting department must ensure monitoring and verification of this to ensure that all items are used in the best interest of the City.

5.7 OBSOLETE INVENTORY

5.7.1 The preparatory work for the disposal of obsolete inventory must be undertaken by the Inventory Controller and verified by the Senior Manager: Stores and Inventory and Assets Manager.

5.7.2 The Accounting Officer or delegated authority must convene a Disposal Committee for the disposal of obsolete inventory.

5.7.3 The Disposal Committee should consist of at least three officials, one of whom must act as the chairperson.

5.7.4 The delegated authority may approve the write-off of inventory, if satisfied that: -

a) The inventory has expired and is redundant;

b) The inventory is of a specialised nature and has become outdated due to the introduction of upgraded and more effective products;

c) The inventory cannot be used for the purpose for which it was originally intended; or

d) The inventory has been damaged and is rendered useless.

5.7.5 All disposed of items must be updated in the inventory records/register/database for the purposes of proper management and control.

5.8 INVENTORY COUNT

5.8.1 Items may be subject to an inventory count on a quarterly basis.

5.8.2 Where the quantity of inventory is too large for the count to be completed on a single occasion, inventory counts may be carried out on a rotational basis with a full inventory count at the end of each financial year.

5.8.3 All approved Municipal procedures and processes must be complied with during the inventory count.

5.8.4 The Inventory Controller must submit a report to the GCFO after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.

5.8.5 The GCFO must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Council of the City for the write-off of any inventories losses, or the write – up of surpluses.

5.8.6 A thorough investigation and appropriate disciplinary action must be instituted when it can be proven that a case of theft or negligence has occurred resulting in inventory loss.
5.8.7 The inventory record, register, database or system must be updated accordingly for any write-off.

6. INVENTORY RECORDS

6.1. An inventory record/register/database must be maintained for all inventory items, either manually and / or electronically.
6.2 All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:
a) Order number/date;
b) Item description;
c) Quantity and value of stock on hand;
d) Quantity and value of stock received;
e) Quantity and value of stock issued;
f) Re-order level;
g) Optimum inventory level;
h) Quantity and value of obsolete stock; and
i) Opening/closing balance.

6.3 An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail

7. REPORTING

7.1 A report must be submitted at least quarterly to the Group Chief Financial Officer and/or the Assets Manager detailing the following:

a) Total value of any inventory shortages or surpluses and the reasons for such;
b) Any inventory deficits proposed to be written-off; and
c) Any obsolete inventory items.
d) Expenditure by commodity

7.2 Inventories purchased during the financial year must be disclosed at cost or net realizable value in the disclosure notes of the Financial Statements of the Municipality.

7.3 In terms of GRAP the financial statements shall disclose:
a) the accounting policies adopted in measuring inventories, including the cost formula used,
b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
c) the carrying amount of inventories carried at fair value less costs to sell,
d) the amount of inventories recognized as an expense during the period,
e) the amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph .43,
f) the amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period in accordance with paragraph .43, g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph .43,and h) the carrying amount of inventories pledged as security for liabilities

Annexure A

Procedure for stock taking

(a) The stock controller together with the senior storekeeper confirms that the following are in place at the stores prior to the start of the count:

- before counting of a specific area commences, the stock controller of the stores must ensure that all internal requisitions, return to store, standby requisitions and orders (receipt) have been processed on the financial system. This is to ensure that the correct quantities are counted and verified against the financial system list printed for counting.
- if any of the outstanding purchased orders had been delivered before the stock take, the goods receipt must be processed before the stock take process commences.
- if any of the outstanding purchased orders had been delivered before the stock take cannot be captured on the system for some reason, copies of the invoices must be recorded and attached on the physical inventory document next to the item to be reconciled together with the counted stock.
- if any of the outstanding purchased orders are delivered during the stock take, must be placed in a designated area and be marked. no receipts are permitted to be captured on the system during stock take.
- all redundant and obsolete stock that has been removed from bins stores and is stored in a designated area in the store together with a list identifying all items in a location to be marked for obsolete and redundant stock, if these items had been deleted from the inventory lists (financial system) but not yet taken to the scrap yard at disposal area. all items where possible must be in boxes and sealed with the signatures of the officials who counted obsolete and redundant items and must be clearly marked in the area. where items are still in the bins must be clearly marked as the bins, the bins must be clearly marked as obsolete /redundant stock.
- in cases where items already had been identified as obsolete and redundant stock, but not been removed from the registers (financial system), these items must remain in their bin locations and be counted as part of the annual stock take.
- all items must be in correct bins and that the description must correspond with the items in the bins.

(b) The stock controller responsible for the stores will ensure the following are in place before the official stock take:

- that there is enough manpower (officials) for the stock take consisting of two officials per team.
- that the logistics management of stores to notify all heads of sections and council's external auditors of the stock take date.

- black pens and stickers for stock counts (no pencil figures will be accepted) to be issued to each stock counter team before counting.
- if there is any possibility of overtime, the stock controller must ensure authorization for overtime is approved before the stock take.

(c) During the stock take the following procedures must be adhered to and the stock controller will be responsible for all processes.

- Counting teams be listed and sign an attendance register and each team will consist of two officials.
- Each counting team will receive a count list printed from financial system on the day the stock take commences for the section they are responsible for that is numbered against the officials' names on the list. E.g. Section 01 must be numbered on the list as 1 against the first team – List 2, the second team - List 3 etc.
- All counting teams must start simultaneously with the first count.
- All quantities counted must be written in the space provided next to the item on the financial system list in ball point pen.
- Each page counted must be signed by both officials responsible for counting on the list as well as the date of the count.
- The Stock controller will do spot check counts and will write the figures in red pen on the list in his /her possession and sign against each count. The Stock controller will check his counts against the counted items by the teams as control to ensure correct counts. The Stock controller must on a continuous basis ensure that all procedures and processes set out in this procedure are strictly adhered to and where deviations are identified to be rectified immediately.
- The Stock controller will be responsible for the stock take and must continually be aware of all problems during the count.
- If the stock count takes place over a few days all stock count lists will be kept by the stock controller at the end of each counting day.

(d) During /after the first count had been done, the Stock controller must ensure a discrepancy list are generated for second count and the recount must be done by different counting team that did the first count of the specific section location.

(e) After the second count the figures must again be compared with the fist count and the differences report.

(f) If the second count corresponds with the system, then the second count is accepted as correct.

- If the second count differs from the system but correspond with the first count, the counted figures are accepted as correct and indicated as surplus or shortage.

- If the second count and the first count differ from the system, the items must be indicated on a new count list for a third count.

(g) If the third count must be done, the stock controller with the senior storekeeper and storekeeper will do it. The third count must be done according to the same procedure as stated above.

(h) The third count will again be compared with the differences report and the first two counts.

- If the third count corresponds with the system, the count is accepted as correct.
- If the third count corresponds with either of the first two counts, the corresponding figures counted will be accepted as correct and the difference between the counted figure and the system figure must be shown as a surplus or a shortage.
- If the third count differences still occur the item must be investigated further to identify the problem until a proper solution for the continuous discrepancies are found.

(i) The final list of all counts (1, 2 and 3) of all surpluses and shortages must be signed by the Senior storekeeper, Storekeeper of the stores and Auditors as confirmation of all parties involved that the figures counted are correct and is the final figures counted, be handed to Chief Financial Officer.

- The final list of surpluses and shortages will not be left in the possession of any party involved in the count for further investigations.
- The Senior Storekeeper and Storekeeper Can ask for copies of the list direct after the final count.
- The Stock Controller will after finalizing of the count, take all counting lists, all differences reports, attendance registers with the final stock take list and file all documentation in the file.

(j) After the stock take a report of such surpluses and shortages has to be generated and be submitted to council for adjustment of the surpluses and shortages or for further steps to be taken, if necessary and/ or authorise stock as redundant or obsolete.

INVENTORY WRITE OFF JOURNAL

EKURHULENI METROPOLITAN MUNICIPALITY

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LEDGER JOURNAL

JOURNAL TOTAL :

FIN. PER. :

JOURNAL NO:

DATE :

COMPILED BY :

APPROVED BY :

DATE COMPILED :

DATE APPROVED :

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