

FMM 03.35 Inventory

35.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995
 - Section 5 departmental heads are responsible for ensuring that all public property (including inventory and stores) is safeguarded, maintained, and properly recorded.
 - Section 47k, 62 & 68 requires appropriate records and controls for the custody and issue of stores and public property.

35.2 Standards and Supporting Documentation

- IPSAS 12 – Inventories
- Finance Form 88 – Stores Discrepancy Report
- Finance Form 103 – Stock-taking sheet

35.3 Minimum Responsibilities

Departmental Heads are to ensure inventory systems and controls are in place and maintained and approve the valuation methodology and ensure it is documented and applied consistently.

Heads of Finance

- Monitor inventory registers and stock movement records.
- Maintain a losses and discrepancies register
- Ensure physical stocktakes are conducted and reconciled with system balances.

Inventory/Stores Officers

- Maintain current and accurate stock records.
- Apply FIFO or WAC consistently to stock issues and replenishments.
- Document any write-offs, shortages, or losses.

Internal Audit are to confirm compliance with inventory policies and verify that stock is properly accounted for and safeguarded.

35.3.1 Inventory Defined

Inventory includes consumable items held for use in operations, such as (for example):

- Stationery and supplies
- Fuel and lubricants
- Medicines and medical supplies
- Uniforms and safety gear
- Parts and maintenance items
- Relief items or donor-supplied stocks
- IT items such as laptops, desktops and mobile phones or tablets

35.4 Mandated Policy

35.4.1 Cash Basis Context

1. Agencies with material inventory are required to maintain a register to control that inventory and preferably in electronic form.

Establishing and maintaining an inventory register is essential for:

- Effective stock control;
- Avoiding misuse, loss, or pilferage;
- Ensuring proper audit and donor reporting;
- Preparing for future transition to accrual reporting under IPSAS;
- Supporting performance-based budgeting and service delivery tracking.

35.4.2 Valuation Method

2. The Government adopts FIFO (First In, First Out) and Weighted Average Cost (WAC) as the official methods for valuing inventory.

35.4.3 Physical Control and Stocktake

3. Agencies must conduct physical stocktake at least annually, and:

- Reconcile physical counts to inventory records;
- Investigate and report discrepancies;
- Submit loss or damage reports through the prescribed Losses and Deficiencies Register process.

4. Any expired, damaged, or obsolete stock must be written off with proper approval.

35.4.4 Stock Register

5. All issues and receipts of inventory must be:

- Recorded in the inventory register;
- Authorised by an officer with appropriate delegation;
- Supported by issue and receipt documentation/notification .

35.4.4.1 Discrepancy Report

Where stores shortages or surpluses are discovered under circumstances other than by normal stock takes or check, the discrepancies may arise from the following causes:

- Incorrect Supply - Where items are under-supplied or lost in transit, the responsible officer must immediately notify the supplier and lodge a formal claim for adjustment or replacement. If the supplier accepts the claim and rectifies the issue, no further action is required, but documentation must be retained for audit;
- Loss in transit including theft;
- Errors in quantity of issue or description - Errors in the issued quantity or incorrect descriptions must be investigated. If the error is confirmed and can be corrected by updating records or returning goods, it should be promptly adjusted in the inventory register.
- Theft or misappropriation; and
- Accounting errors.

6. If a discrepancy cannot be resolved through correction or claim adjustment a Discrepancy Report must be completed.
7. When approval to write-off has been granted the original Discrepancy Report shall be returned to the originating office (refer to FMM Volume 3 FMM 03.43 on Losses).

35.4.5 Storage and Security

8. Inventory must be stored securely and monitored regularly.
9. Only authorised officers may access stores.
10. High-value or sensitive stock (e.g. medicines, relief goods) must have restricted access and additional tracking.

35.4.6 Surplus and Disposal

11. Surplus inventory no longer required must be:

- Reported for reallocation;
- Disposed of in accordance with disposal procedures (within the disposal thresholds set by the National Procurement Commission);
- Removed from stock records upon disposal authorisation.

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