



Building No.4, No. 7 Government Boulevard, Riverside Park, Ext 2, Mbombela, 1200  
Private Bag X 11205, Mbombela, 1200  
Tel: 013 766 4572, Fax: 013 766 4604, Int: +27 (13) 766 4572, Int: +27 13 766 4604

SigcinaMafa SesiFundza

UmNyango weeMali ZesiFunda

Provinciale Tesourie

Enquiries : Ms CE Vlsser x 4213  
Ref : DOF 14/3/1/1

## **PROVINCIAL TREASURY CIRCULAR 29 OF 2015**

---

### **TO:-**

**THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (DR NONHLANHLA MKHIZE)**  
**THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MS NZ NKAMBA)**  
**THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR CM CHUNDA)**  
**THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS (MS SP XULU)**  
**THE ACCOUNTING OFFICER (ACTING): VOTE 6: ECONOMIC DEVELOPMENT AND TOURISM (MR T MDAKANE)**  
**THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)**  
**THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS AND TRANSPORT (MR KM MOHLASEDI)**  
**THE ACCOUNTING OFFICER: VOTE 9: COMMUNITY SAFETY, SECURITY AND LIAISON (MR W MTHOMBOTHU)**  
**THE ACCOUNTING OFFICER: VOTE 10: HEALTH (DR AM MORAKE)**  
**THE ACCOUNTING OFFICER: VOTE 11: CULTURE, SPORT AND RECREATION (MR W MNISI)**  
**THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)**  
**THE ACCOUNTING OFFICER: VOTE 13 (ACTING): HUMAN SETTLEMENTS (MR K MASANGU)**

**THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR SS SHONGWE)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR MA KHOZA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR SEB MATSEBULA)**  
**THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 5: AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS (MS FA NGOBENI)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT AND TOURISM (MR CT DLAMINI)**  
**THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 7: EDUCATION (MS T NTULI)**  
**THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 8: PUBLIC WORKS, ROADS AND TRANSPORT (MS HN MDAKA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 9: COMMUNITY SAFETY, SECURITY AND LIAISON (MS SA SEFALA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MR CB MNISI)**  
**THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 11: CULTURE, SPORT AND RECREATION (MR NC MAMARO)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MR JB MBATHA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR DR SHIPALANA)**

**THE CHIEF DIRECTORATE: SUSTAINABLE RESOURCE MANAGEMENT**  
**THE CHIEF DIRECTORATE: ASSETS AND LIABILITIES MANAGEMENT**  
**THE CHIEF DIRECTORATE: FINANCIAL GOVERNANCE**

## IMPLEMENTATION OF INVENTORY MANAGEMENT

The Standard Chart of Accounts (SCOA) has changed from 1 April 2015 to make provision for inventory and consumables. **Inventory** comprises of goods that are core to the achievement of the Department's service delivery objectives while all other goods are classified as **consumables**.

In recent years the accounting and management of inventory has turned into a focus area for departments, treasuries and auditors alike. In dealing with some of the policy issues, the Office of the Accountant-General (OAG) decided to separate certain non-essential items from inventory into a separate category, namely consumables.

The OAG recognised that the concept of consumables existed in the past, as a sub-set of inventory, but decided to make a clear separation between those items that will be managed and reported as inventory, and those that will be treated as part of the operating costs of the department. The departments are encouraged to manage consumables within their logistical information systems (i.e. have stores, issue the items and take stock). The detailed reporting on the movement in the Annual Financial Statement will however not be required.

The SCOA Technical Committee along with the OAG conducted a detailed review of the existing SCOA items to separately identify inventory and consumables. In summary the team:

- reviewed the existing inventory category and identified items that should be moved to consumables;
- reviewed the other items in the item segment (such as in operating payments) to identify and re-allocate any other inventory and or consumable items listed elsewhere; and
- created unique consumable items where there was a possibility that a good could be either inventory or consumables. For example, certain medical supplies could be used in hospitals or in the first aid boxes in departments outside the health sector.

### ***Discussion on specific items***

#### *Ammunition and security supplies*

All ammunition and security supplies are classified as inventory due to their nature. This category should be used by Departments who buy ammunition, for example for culling, security and protection, etc. All weapons, such as guns, are always classified as assets as they are not bought with the intention of resale or distribution outside the department.

#### *Bags (including laptop bags)*

Prestigious bags bought separately from an external supplier should be classified as assets. A laptop bag that is acquired together with a laptop is capitalised as part of the laptop cost. The replacement of a normal laptop bag should be classified as a consumable.

#### *Library and learning and teaching support materials*

Only library materials that will be distributed to individuals or entities outside the control of the department are classified as inventories. For example, library material purchased by Department of Culture, Sport and Recreation (DCSR) to be distributed to the libraries controlled by municipalities are classified as Inventory. However, if DCSR purchases library material for distribution to other libraries in DCSR control, these must be classified as capital assets or consumables; whichever classification is appropriate. Library material that meet the definition of inventory are recorded under Inventory Assets For Distribution: Library Material.



Learning and Teaching Support Materials (LTSM) purchased by the Department of Education (DoE) for distribution to the schools are classified as Inventory as schools are a separate entity to DoE. Such items are recorded under Inventory: Learn & Teach Supporting Material category.

*Assets purchased for distribution*

Wheelchairs to be distributed to patients should be classified as Inventory, whereas wheelchairs to be used by the hospitals or any department should be classified as capital assets.

Some departments acquire capital assets for distribution as part of their service delivery mandate. These assets should be classified as inventory only if they meet the definition of inventory as outlined in the paragraphs above. This category covers transfers of assets in the form of:

- School furniture for distribution: this item has been created specifically for the DoE, for furniture acquired with the purpose of transferring it to schools. The transaction is classified as inventory in the hands of the department. Only the school will record this furniture as capital assets.
- Municipal dustbins for distribution: this item has been created specifically for the Department of Cooperative Governance and Traditional Affairs for the dustbins purchased and transferred to the municipalities for use by the communities.
- Library materials for distribution: refer to paragraphs 8 and 9 above.

The SCOA master (published on the SCOA website) will provide an indication of the departments that will use the broad inventory categories.

The clean-up process of SCOA was completed in the 2014/15 financial year. System officials were trained during 2014/15 on the changes. The warehouse officials were trained on the theory of Inventory Management during November 2014. An electronic copy of the manual is available on <http://oag.treasury.gov.za/Publications>.

Departments are requested to prepare separate draft policies and procedures on Inventory and Consumables for implementation by 30 September 2015 for submission to Provincial Treasury to enable departments to obtain approval before 31 March 2016 from the respective Accounting Officers. Please note that not all departments will have inventory according to the definition in the first paragraph.

Departments will be informed separately on the implementation date for the Annual Financial Statements.

Departments are requested to submit draft policies and procedures to [ppam@mpg.gov.za](mailto:ppam@mpg.gov.za) by **30 September 2015**. For more information please contact Ms CE Visser on 013 766 4213.

Kind Regards,



**MS NZ NKAMBA**  
**HEAD OFFICIAL: PROVINCIAL TREASURY**  
 DATE: 17 / 17 / 2015