

STANDING ORDER (STORES) 55 STOCKTAKING

1. BACKGROUND

- (1) The purpose of this Order is to regulate stocktaking in the Police to ensure that accurate record is kept of the number of assets, including equipment and animals in the Police to ensure the correctness of the Government Property Account (ledgers or inventory records) and to determine the condition, use and financial performance of capital assets.
- (2) The Stocktaking Report that is generated in the process of stocktaking, must be available to the National Treasury and the Auditor-General to evaluate the administration of assets in the Police.

2. RESPONSIBILITY FOR STOCKTAKING

- (1) An accounting functionary must —
 - (a) ensure that chief users and inventory controllers are designated in writing, as set out in Standing Order (Stores) 5, to exercise control over all assets, equipment and animals at the accounting unit; and
 - (b) ensure that the designation of a chief user is accompanied by a complete job description.
- (2) A chief user must —
 - (a) ensure that assets, equipment and animals that were put in his or her care, are used, maintained and properly secured as provided for in Standing Order (Stores) 51; and
 - (b) conduct a stocktaking of all the assets, equipment and animals on the inventory before 31 December of each financial year.
- (3) An accounting functionary must ensure that a complete stocktaking is annually undertaken at his or her accounting unit according to the approved programme of stocktaking.
- (4) Accounting functionaries must inspect all items issued to members on their personal inventories at least twice a year, of which one inspection may coincide with the annual stocktaking.
- (5) A store master is responsible for stocktaking at a provisioning store, while the accounting functionary is responsible for the stocktaking of assets, equipment and animals at accounting unit level.
- (6) The store master and accounting functionary must —

- (a) ensure that quarterly stocktaking spot-checks are carried out on store stock, assets, equipment and animals. If these spot-checks reveal many discrepancies, the store master or accounting functionary concerned must ensure that a complete stocktaking is done of the relevant store or inventory;
 - (b) evaluate the stocktaking report of the stocktaking board to determine whether or not proper control was exercised over assets, equipment and animals in the division, section or store. If it appears that insufficient control was exercised, the store master or accounting functionary must as soon as reasonably possible take steps to rectify the situation. The Divisional Commissioner: Supply Chain Management or Provincial Head: Supply Chain Management must be notified of the steps that were taken;
 - (c) convene a board of inquiry, as set out in paragraph 8, if discrepancies larger than 10% between the total stock or assets found and those on the ledger, or if it is suspected that irregularities took place;
 - (d) indicate which measures were implemented or will be implemented to prevent a recurrence of a shortage or surplus that was identified;
 - (e) indicate on the stocktaking report which steps (eg disciplinary steps), were taken or will be taken against negligent employees, to ensure that efficient control over stock, assets, equipment and animals is maintained; and
 - (f) ensure the correctness of information on capital and minor assets for purposes of financial statements.
- (7) All assets, equipment and animals must be subjected to stocktaking at least once during every financial year, unless —
- (a) an application for exemption or postponement has been submitted to the Divisional Commissioner: Supply Chain Management before 15 January of the financial year in question and the application has been approved; or
 - (b) the Divisional Commissioner: Supply Chain Management approves an extension to the cycle of stocktaking.
- (8) After the annual stocktaking has been completed for the Police, the National Commissioner must sign a stocktaking certificate to certify that a complete stocktaking has been completed by 31 January of the financial year. The stocktaking certificate must be filed and kept for proof purposes should the National Treasury or the Auditor-General require it.

3. STOCKTAKING PROGRAMME

- (1) All store masters, accounting functionaries and chief users must in writing compile a stocktaking programme at the beginning of each financial year.
- (2) The programme of stocktaking must be compiled and may make provision for the following methods of stocktaking:
 - (a) continuous (ie uninterrupted over a certain period);
 - (b) progressive (ie divided into cycles); or
 - (c) regular, random spot-checks.
- (3) Time schedules must be included in the stocktaking programme and must make provision for the following aspects:
 - (a) preparation;
 - (b) the sequence of the stocktaking;
 - (c) the investigation of discrepancies; and
 - (d) the final return.
- (4) Chief users must present the programme to the accounting functionary for approval before 15 April of each financial year.
- (5) Accounting functionaries must submit copies of the approved stocktaking programmes to the respective provincial heads: Supply Chain Management before 30 April of each financial year.
- (6) Accounting functionaries of Head Office components must submit their approved stocktaking programmes to the Section Head :Supply Chain Management, Head Office before 30 April of each financial year.
- (7) All store masters must submit their approved stocktaking programmes to the Divisional Commissioner: Supply Chain Management before 15 May of each financial year.
- (8) The Section Head: Supply Chain Management, Head Office and provincial heads: Supply Chain Management must send copies of all the stocktaking programmes to the Divisional Commissioner : Supply Chain Management before 15 May of each financial year.

4. STOCKTAKING BOARD

- (1) Stocktaking teams must be designated in writing, in accordance with the delegation of powers for Supply Chain Management, to conduct a stocktaking on store stock and inventories. A chairperson must be designated for every team and the functions referred to in paragraph 5 must be entrusted to the chairperson.

- (2) Employees who are responsible for the counting of stock, assets, equipment and animals as well as employees who have to verify the quantities with the ledgers, must be included in the stocktaking teams.
- (3) An employee who is in direct control of stock, assets, equipment and animals may not undertake the stocktaking, but may assist the designated member to perform a stocktaking.

5. PREPARATION FOR STOCKTAKING

- (1) On the day of the stocktaking, all other activities should, if possible, cease to enable the stocktaking team to perform their task thoroughly. Arrangements must be made beforehand to ensure that all assets, equipment and animals that appear on the inventories are available for inspection on the day of the stocktaking.
- (2) The chief user must ensure that —
 - (a) all assets, equipment and animals that appear on the inventories are available for inspection by the stocktaking team;
 - (b) vouchers and transactions pertaining to all assets, equipment and animals that were moved permanently between inventories, and any assets or equipment that were sent away for repairs during the financial year and which have not been returned, are provided to the stocktaking team; and
 - (c) assets, equipment and animals that are temporarily used elsewhere, are brought and displayed at a central point before the stocktaking commences.
- (3) Store masters or accounting functionaries must ensure that —
 - (a) control is exercised over all accounting vouchers to ensure that no vouchers are lost and that they are all filed as provided for;
 - (b) all accounting vouchers are correctly captured and are up to date;
 - (c) all stock, assets, equipment or animals that were disposed of, are removed from the relevant general ledgers and account;
 - (d) a list of all assets and equipment that were lent out or sent in for repairs, is drawn up;
 - (e) store stock is arranged correctly and stored according to their bin designations;
 - (f) the balances of items that appear on inventories or store stock, are the same as the actual balances on the ledger; and
 - (g) the stocktaking teams are provided with the relevant stocktaking reports (as set out in paragraph 6) which they must complete when conducting a stocktaking.
- (4) The designated chairperson of the stocktaking board must ensure that —

- (a) he or she is familiar with the stocktaking procedure set out in paragraphs 6 and 7;
 - (b) all instructions concerning stocktaking are followed;
 - (c) every employee involved in the stocktaking is aware of the approved stocktaking programmes ahead and be informed of their duties;
 - (d) stocktaking of all stock, assets, equipment and animals are carried out;
 - (e) the quantities of all stock, assets, equipment and animals that were counted, are compared with the balances on the relevant ledger. (Only actual counts must be accepted, and not the balances on the reports);
 - (f) all shortages and surplus are recorded and captured;
 - (g) all losses are reported and captured;
 - (h) all capital assets are certified in terms of condition, use and financial performance;
 - (i) a report on the result of the stocktaking is drawn up (see paragraph 9 regarding the content of the report);
 - (j) a certificate is issued confirming that all transactions pertaining to receipts and issues were captured correctly, and that the balances of stock, assets, equipment and animals indicated on inventories or store stock, correspond with the balances indicated on the general ledger. The certificate must accompany the final stocktaking report; and
 - (k) the stocktaking report is submitted to the relevant store master or accounting functionary.
- (5) The accounting functionary must prior to the stocktaking inform all chief users and inventory controllers in writing of the provisions of paragraph 5(2). Disciplinary steps must be taken against officials who do not comply with the provisions set out in paragraph 5(2).

6. CONDUCTING OF STOCKTAKING

6.1 Accounting functionary

- (1) In order to conduct a stocktaking, an accounting functionary must —
- (a) update all accounting transactions before the process of stocktaking takes place; and
 - (b) request report R0047-1 (Inventory Count Sheet) and report R0047-2 (Inventory Control Sheet) from the system(PAS) and hand them to the chairperson of the Stocktaking Board in order for him or her to conduct the stocktaking.
- (2) The Stocktaking team must complete report R0047-1 and VAS 41/43 with regard to serial number-controlled items and face-value forms

respectively. Report R0047-2 that reflects the actual ledger balances and serial numbers must stay in the possession of the chairperson until completion of the stocktaking. After completion of report R0047-1 and VAS 41/43 the stocktaking team must return report R0047-1 and VAS 41/43, if applicable, to the chairperson in order for him or her to compare it with report R0047-2.

- (3) The chairperson of the Stocktaking Board must compile a report, setting out all surpluses, shortages, and unserviceable, damaged and obsolete equipment and hand the report to the relevant accounting functionary.
- (4) The accounting functionary must take the following steps:

STEP	ACTION
1	Perform the necessary balance adjustments to place the relevant equipment on a suspense register;
2	ensure that if unserviceable technical equipment is found during a stocktaking an expert or technician completes a report of unserviceability before a balance adjustment is to be made;
3	as soon as the necessary balance adjustments have been completed ensure that reports R0047-1, R0047-2 and the VAS 41/43 are filed, together with the stocktaking report, in a Z20 file, marked: "Stocktaking: Inventories: Financial year..." and kept for a period of five years for auditing purposes; and
4	if there are no discrepancies between figures, all documentation (reports R0047-1, R0047-2 and VAS 41/43) and the stocktaking report, must be filed in a Z20 file marked: "Stocktaking: Inventories: Financial year..." and kept for a period of five years for auditing purposes.

6.2 Provisioning stores

- (1) In order to conduct a stocktaking, the store master must —
- update all accounting transactions before the process of stocktaking takes place; and
 - request reports R0024 (Compulsory stocktaking report), R0027 (Control Stocktaking Report) and R0049-2 (Serial Number Controlled Report) from the system (PAS) and hand them to the chairperson of the Stocktaking Board in order for him or her to conduct the stocktaking.

- (2) The Stocktaking team must complete report R0024 and VAS 41/42/43 with regard to serial number-controlled items, lot numbers and face-value forms respectively. Reports R0027 and R0049-2 that indicate the actual ledger figures and serial numbers must stay in the possession of the chairperson until completion of the stocktaking.
- (3) The Stocktaking team must return report R0024 and VAS 41/42/43, if applicable, to the chairperson for comparison with report R0027 and R0049-2, when the stocktaking has been carried out.
- (4) The chairperson of the Stocktaking Board must draw up a report that indicates all surplus, shortages and unserviceable (only firearms), damaged and obsolete stock and send it to the store master together with the reports referred to in par 6.2(2) for the necessary balance adjustments to put all surpluses, shortages and unserviceable, damaged and obsolete stock on a suspense account.
- (5) If unserviceable firearms are found among technical equipment, an expert or technician must complete a report of unserviceability before a balance adjustment can be made.
- (6) After the necessary adjustments have been made by the store master to the balances or, if there are no discrepancies between figures, the store master must file reports R0024, R0027, R0049-2 and the VAS 41/42/43 together with the stocktaking report, in a Z20 file, marked: "Stocktaking: Store stock: Financial year ..." and must ensure that it is kept for a period of five years for auditing purposes.

7. DEALING WITH DISCREPANCIES WITH REGARD TO ASSETS (SHORTAGES AND SURPLUSES)

- (1) If a shortage or surplus is found during a stocktaking, the chairperson of the Stocktaking Board must take the following steps:

STEP	ACTION
1	Ensure that the shortages and surplus that were identified, are not as a result of receipts or issues that were not recorded, or of calculation or other book errors;

2	address surplus or shortages that are identified in an office or section, against the surplus or shortages of another office or section in the same region, if the same accounting unit services both offices or sections. (The same applies for inventories of more than one office which are serviced by a central accounting unit. The necessary accounting actions must be shown for this.);
3	investigate the existence of a surplus carefully. (In most cases, a surplus exists because receipts or issues were not captured. In other cases it may be that issue vouchers were captured, but the stock was not actually issued, or the calculations were done incorrectly. All the possible reasons for a surplus must be investigated carefully before it is reported because the same surplus, if taken on account, could later be the cause of a shortage);
4	investigate a shortage to determine whether it is a real loss; (Under no circumstance may any person be allowed to compensate for an asset by personally buying it and putting it in stock, irrespective of the type of asset.);
5	indicate real shortages or surplus that were identified or submit a nil return if no real shortages or surplus were identified;
6	recommend that a Board of Inquiry be convened for discrepancies larger than 10% of the total stock or assets or if an irregularity is suspected. (If a stocktaking and a Board of Inquiry are conducted by the same persons at the same time, separate reports may be presented simultaneously); and
7	compile a full report to explain the preliminary findings regarding the reason for the occurrence of shortages or surplus. Although the investigation may take some time, the final stocktaking report should not be held back;
8	hand over the report to the accounting functionary or store master setting out the findings to enable the accounting functionary or store master to rectify surplus or shortages with a balance adjustment that will transfer the relevant details to the suspense register, if real shortages and surplus are confirmed;

(2) The accounting functionary or store master must —

- (a) rectify surplus or shortages with a balance adjustment that will transfer the relevant details to report R0073-N on the suspense register, if real shortages and surplus are confirmed. Each shortage and surplus must be dealt with during separate transactions (incidents) on PAS;
- (b) ensure that an authorization for balance adjustments following a stocktaking with regard to surplus, shortages, obsolete, redundant and unserviceable items, is provided by an employee to whom this power has been delegated in terms of the delegation of powers document for Supply Chain Management;
- (c) register any real loss on PAS and report this to Loss Management to determine liability; and
- (d) ensure that a Board of Inquiry is convened for discrepancies larger than 10% of the total stock or assets or if an irregularity is suspected.

8. BOARD OF INQUIRY

- (1) A Board of Inquiry must be convened and appointed in terms of section 34(1)(i) and (j) of the South African Police Service Act, 1995, if discrepancies larger than 10% of the total stock or assets are found or if it is suspected that irregularities had taken place.
- (2) A Board of Inquiry must be designated in writing by the functionary, to whom the power to make such a designation, has been delegated. At least two employees must be designated in the designation to serve on the Board of Inquiry. These employees may be the same as those who served on the Stocktaking Board.
- (3) A Board of Inquiry must report on —
 - (a) quantities and values or estimated values of surpluses or shortages;
 - (b) redundant, obsolete or unserviceable stock, assets, equipment and animals;
 - (c) reasons for the surplus or shortages and the condition of the stock, assets, equipment and animals (bearing in mind the activities of the relevant section or division);
 - (d) the possibility that shortages, damages, unserviceability, redundancy or obsolescence of the specific stock, assets, equipment and animals were caused by an oversight, negligence or misuse by a person;
 - (e) the possible disposal of stock, assets, equipment and animals;

- (f) the possible destruction of stock, assets, equipment and animals that have no resale value;
 - (g) the suitability of stock, assets, equipment and animals with respect to quality and quantity for official or functional purposes;
 - (h) the general condition of stock, assets, equipment and animals;
 - (i) factors that may have given rise to an unacceptable condition; and
 - (j) any other matter that relates to stocktaking and which requires attention.
- (4) The chairperson of a Board of Inquiry must complete form SAPS 57 and attach to it the report of the Board of Inquiry.

9. FINAL STOCKTAKING REPORT

The following details must be included in the final stocktaking report:

- (a) a full description of the factors that gave rise to any shortage or surplus;
- (b) the details of any unserviceable, obsolete or redundant items, equipment and animals that were identified;
- (c) the quantity and condition of inventory equipment that can be considered as reasonable considering the activities of the relevant office or section;
- (d) all assets that are kept in stock (eg if a large number of assets such as fertilizers, bricks, cement, etc., were not utilized);
- (e) any allegations that the negligence of an employee caused obsolete, unserviceable or redundant items, equipment and animals to be kept in stock;
- (f) whether all assets, equipment and animals meet the applicable requirements in terms of quality and quantity;
- (g) any other matter (eg difficulties with inventory control, insufficient storage space or the failure to make optimal use of storage space) which the chairperson of the Board wishes to bring to the attention of the store master or accounting functionary;
- (h) the final totals and values of shortages and surpluses;
- (i) whether or not the shortages or surpluses were investigated in accordance with instructions and whether the completion of the investigation is not being unnecessarily delayed; and
- (j) whether preventative measures that were recommended in the previous year, have been implemented.

10. STOCKTAKING CERTIFICATE

- (1) Every chief user must complete a stocktaking certificate. The report, referred to in paragraph 5(4)(i), must be attached to the final stocktaking certificate.
- (2) All stocktaking certificates must be completed in duplicate.

- (3) The original stocktaking certificate must be presented to the relevant accounting functionary. The chief user must keep the duplicate certificate for five years for purposes of auditing.
- (4) The stocktaking certificate, together with the report referred to in paragraph 5(4)(i), must reach the relevant accounting functionary or store master no later than 31 December of each year.
- (5) Every accounting functionary must draw up a consolidated stocktaking certificate for all the chief users under his or her command. The original consolidated certificate must be sent to the Section Head: Supply Chain Management, Head Office (in the case of Head Office components) and to the Provincial Head: Supply Chain Management (in the case of provincial accounting units). The accounting functionary must keep a copy of the consolidated certificate for five years for auditing purposes.
- (6) The Section Head: Supply Chain Management, Head Office, or Provincial Head: Supply Chain Management must draw up a consolidated stocktaking certificate for all the accounting units under his or her control. The original consolidated certificate must be presented to the relevant divisional commissioner or provincial commissioner, respectively, who must check and sign it. A copy of the consolidated certificate must be kept for five years for auditing purposes by the Section Head: Supply Chain Management, Head Office, or Provincial Head: Supply Chain Management.
- (7) Section heads of provisioning stores must also draw up stocktaking certificates. The original stocktaking certificate must be presented to the Head: Movable Government Property, Supply Chain Management, Head Office. The copy of the certificate must be kept at the store for five years for auditing purposes.
- (8) The Head: Movable Government Property must draw up a consolidated stocktaking certificate for all the provisioning stores under his or her control. A copy of the consolidated certificate must be kept by the Head: Movable Government Property for five years for auditing purposes.
- (9) The consolidated stocktaking certificates of the respective divisions or provinces and provisioning stores must reach the Divisional Commissioner: Supply Chain Management before 15 February of every year.
- (10) The stocktaking certificate must be prepared as indicated in the attached Annexure A.

**ANNEXURE A
STOCKTAKING CERTIFICATE**

REFERENCE: 20/1/12/.../..... From:

ENQUIRIES:

TEL:

FAX:

E-MAIL:

The Divisional Commissioner: Supply Chain Management
 South African Police Service
 Private Bag X 254
PRETORIA
 0001

**STATE PROPERTY: STOCKTAKING CERTIFICATE: FINANCIAL
 YEAR:/.....: CHIEF USER / ACCOUNTING FUNCTIONARY /
 PROVISIONING STORE / DIVISIONAL COMMISSIONER / PROVISIONAL
 COMMISSIONER:**

1. I, (full names and surname), hereby certify that —
 - 1.1 all personnel, who are involved in the Supply Chain Management and asset management processes, are well acquainted with the delegated powers and conditions and that they apply them correctly;
 - 1.2 the inventory controller(s) or chief user(s) and accounting functionary(ies) were designated in writing.
 - 1.3 the following measures have been implemented to prevent a recurrence of shortages or surplus that were identified:

2. I further certify that —

2.1. stocktaking of all stock, assets, equipment and animals was carried out during the present financial year at the inventory or warehouses indicated below, and that the quantities found were compared with the totals in the ledgers:

Inventory controller/Chief User/ Accounting store/Provisioning store	Date
.....
.....

- 2.2 all aspects set out in paragraph 9 of SO(S) 55 have been evaluated;
- 2.3 all vouchers are up to date and were filed correctly;
- 2.4 all redundant, obsolete and unserviceable stock, assets, equipment and animals have been dealt with by a board of inquiry;
- 2.5 all balance adjustments of surplus, shortages or losses found during the annual stocktaking have been completed and sent to your office under separate covering letters;
- 2.6 at least two inspections have been performed on equipment issued on personal inventories; and
- 2.7 the information that is provided is a true account of the position regarding asset administration by the chief user or accounting unit or divisional or provincial office.

DATE :

TIME :

PLACE :

.....
Chief User/Accounting Functionary/Store Master/Provincial Commissioner/
Divisional Commissioner:
PERSAL number :

Rank :.....

Surname and Initials :.....