
SECTION 20

INVENTORY MANAGEMENT

20.01 INVENTORY MANAGEMENT

AUTHORITY: *FINANCIAL ADMINISTRATION ACT*

ADMINISTRATION: TREASURY BOARD SECRETARIAT

EFFECTIVE DATE: FEBRUARY 2024

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(1) PURPOSE

The purpose of this policy is to encourage the efficient management of inventories, security of assets and to ensure that recording of inventories is carried out to provide adequate control, and accurate and timely information.

The policy objectives are to:

- (a) minimize investments in inventories;
- (b) maintain sufficient inventory to support operations;
- (c) minimize losses from damage, obsolescence and perishability;
- (d) ensure efficient and effective control over inventory issues and receipts;
- (e) ensure the most economical purchasing practices are followed; and
- (f) supply accurate and timely information and to facilitate the forecasting of inventory requirements.

Compromise may be necessary in attempting to achieve these objectives. For example, supply and demand constraints, attempts to obtain quantity discounts, and the need to have critical items immediately available may not permit meeting all objectives at one time.

(2) APPLICATION

The application of this policy is referenced to the Schedules of the *Financial Administration Act* (FAA) and applies as follows:

- Schedule “A” - Departments except the Legislative Assembly
- Schedule “B” - Crown corporations
- Schedule “C” - Education Authorities
- Schedule “D” - Commissions

except to the extent that their enabling legislation may incorporate alternate requirements, such as Ministerial or Board Authority.

While this policy **does not apply** to the Legislative Assembly or to Reporting Entities subject to alternate legislation, the **spirit and intent** of the policy should serve as a **guideline** for these entities in developing their own policies. Reporting Entities that develop policies differing from Treasury Board policy require approval of Treasury Board.

(3) DEFINITION

In this policy “inventory” or “inventories” means assets:

- (a) held for sale in the ordinary course of business;
- (b) in the process of production for such sale; or
- (c) in the form of materials or supplies to be consumed in the production process or in the rendering services.

(4) POLICY

Accounting for inventories must be carried out in a manner consistent with the *Financial Administration Act* and the accounting policies of the Province.

The Deputy Heads and their departmental management are responsible to:

- (a) determine the appropriate levels required to support departmental operations and ensure inventories are maintained at that level;
- (b) minimize the cost associated with carrying of inventories;
- (c) maintain and account for inventories in accordance with all applicable acts, regulations, and directives issued by Treasury Board or the Comptroller; and
- (d) provide adequate physical control over inventories to protect against loss, theft, damage and misuse of inventories.

(5) PROCEDURES

Administrative officers in each department should ensure that:

- the requirements for financial and physical control over inventories are communicated to all personnel affected by these requirements; and
- consistently prepared, reliable and timely cost information relative to the management of inventories is provided when preparing budget estimates and interim and year-end financial reports.

Administrative officers and/or managers responsible for the inventory should participate directly in the planning, performance and review of physical counts to ensure validity in the determination of quantities, physical condition and values of inventories.

As a minimum, the following procedures are required to ensure inventory management and control:

- (a) A physical count of inventory shall be conducted under the supervision of departmental personnel, other than those having direct custody of the specific inventory, at management's discretion, but at least annually.
- (b) Inventory shall be arranged and the count made in such manner as to ensure accuracy.
- (c) An item quantity listing shall be prepared concurrently with the count and obsolete or damaged items shall be set aside and listed separately.
- (d) The inventory listings shall be checked with perpetual records, where such records are maintained, and all discrepancies promptly investigated, and the results reported to the Deputy Head.
- (e) In the event of a suspected loss, the insured must be able to produce records for the Risk Management and Insurance Section of the Treasury Board Secretariat.

(6) INTERPRETATION

In cases where an interpretation is required, such should be referred to the Secretary to Treasury Board or the Comptroller who will make the interpretation or refer the matter to Treasury Board, if a Treasury Board decision is deemed necessary.