
SATCC Commission Board Chair

SATCC Commission Board Vice Chair

Signatures:

Board Category Financial – F4
and Policy Name: Inventory Accounting, Reporting and Management

Approved: February 1, 2023

Supersedes: July 1, 2013; Nov.29, 2017; September 30, 2020

Next scheduled review: November 2025

Policy SATCC is responsible to ensure the following.

- Optimum inventory levels are maintained.
- Appropriate inventory records are maintained to meet reporting and internal control requirements.
- Adequate control and physical security measures are taken to prevent material loss of inventory due to theft, damage, or obsolescence.
- At least annually comparison of physical quantities to inventory records occurs and corrective action is taken if material differences or irregularities are detected.

Procedures Inventories should be assigned to the appropriate categories based on their nature and characteristics. A threshold represents the minimum cost an individual category of inventory must have before it is to be recorded on the statement of financial position. A threshold of \$1,000 per category should be applied. Inventories below the minimum thresholds are kept to meet reporting needs and to mitigate risks of theft or loss.

Inventories that meet the definition of inventory, but are under the threshold, should be expensed in the year in which they are purchased. Inventories held for consumption or use should be written down when a reduction in the value of their service potential can be measured and the reduction is expected to be permanent.

SATCC may need to consider a write-down where they hold obsolete inventory, slow moving inventory or damaged items, or when inventory levels are expected to be surplus to needs. All write-downs should be approved by the CEO or CFO. Write-downs of inventory should be accounted for as an expense in the current period.

The SATCC shall maintain an inventory subsidiary ledger which substantiates, and is in agreement with, the inventory information recorded in the financial system for audit review. For each fiscal year, the Finance unit must report a total amount, by inventory category, for each of the following for the current and prior years:

- opening cost;
- transaction date;
- cost and quantity of goods added or removed (including write-down) from inventory;
- the purpose of the transaction; and
- closing cost.

In determining optimum inventory levels, staff may need to consult with the Finance unit when planning large orders to minimize shipping, and staff costs.

The “first in, first out’ (FIFO) methodology (i.e. the cost of the first items purchased is the cost assigned to the first goods consumed) will be used to determine cost.

Background

The objective is to outline accounting, reporting and internal controls to ensure that inventory is safeguarded and managed efficiently and cost effective.

Cost is the amount of consideration given up to acquire, construct or develop inventories, and includes all costs directly attributable to acquisition, construction or development as well as shipping and handling charges, insurance costs and duties.

Inventories Held for Consumption or Use: these are non-financial assets that will be used or consumed in the normal course of operations. The future economic benefit of inventories held for consumption or use is embodied in their capacity to render service that furthers the objectives because the primary purpose of operations is to provide services. Inventories are not intended for sale in the ordinary course of operations.

Threshold is the minimum cost an individual category of inventory must have before it is recorded as an asset on the Province's statement of financial position. Thresholds are applied on a category-by -category basis individually.

The one category of inventory is:

- Promotional items.

The following inventory categories are excluded from this policy(all items in these categories should be expensed when purchased);

- Office supplies (e.g. pens, paper, pencils, sticky notes, etc.);
- Safety supplies (e.g. safety hats, vests, and glasses, etc.); and
- Communication supplies (e.g. pamphlets, brochures, etc.).

