
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; Feb.1, 2023

Next scheduled review: February 2026

Policy The SATCC is responsible for ensuring effective inventory management through the following practices:

- Maintaining optimal inventory levels to support operational needs;
- Keeping accurate and up-to-date inventory records that meet financial reporting and internal control requirements;
- Implementing adequate controls and physical security measures to prevent material loss of inventory due to theft, damage, or obsolescence; and
- Conducting annual reconciliation of physical inventory quantities against recorded inventory balances and taking corrective action when material discrepancies or irregularities are identified.

Procedures Inventories must be assigned to the appropriate categories based on their nature and characteristics. To ensure consistency in financial reporting, a threshold of \$1,000 per inventory category is applied. This threshold sets the minimum total cost a category must reach to be recognized as an asset on the Statement of Financial Position.

Inventories categories that do not meet the threshold are not capitalized but are still tracked to fulfill reporting obligations and to mitigate risks such as theft or loss. Inventories that meet the definition of inventory, but fall below the established threshold, must be expensed in the fiscal year of acquisition.

Inventories held for consumption or use should be written down when a measurable and permanent decline in their service potential is identified. The SATCC should assess the need for inventory write-downs in situations involving obsolete, slow moving or damaged items and/or when inventory levels exceed operational requirements. All write-downs must be approved by the CEO or CFO and must be recorded as an expense in the current reporting period.

The SATCC shall maintain an inventory ledger that supports and aligns with the inventory information recorded in the financial system for audit purposes. Each fiscal year, the Finance unit must report the total amounts, by inventory category, for both the current and prior years. The report must include the following details:

- Opening cost;
- Transaction date;
- Cost and quantity of goods added or removed (including write-downs);
- Purpose of each transaction; and
- Closing cost.

To support effective inventory planning and cost efficiency, staff are encouraged to consult with the Finance unit prior to placing large orders. This collaboration helps ensure optimal inventory levels while minimizing shipping and labour costs. The SATCC applies the First-In, First-Out (FIFO) costing method, whereby the cost of the earliest items purchased is assigned to the first items consumed.

Background

This policy outlines the accounting, reporting and internal control requirements necessary to ensure that inventory is safeguarded, efficiently managed and is cost effective.

Cost refers to the total consideration given to acquire, construct or develop inventory. It includes all costs directly attributable to acquisition, construction or development, including shipping and handling charges, insurance costs and duties.

Inventories Held for Consumption or Use are non-financial assets acquired to support operational activities rather than for resale. Their future economic benefit is derived from their capacity to deliver services that advance SATCC's objectives, as the organization's primary function is service delivery. These inventories are not intended for sale in the ordinary course of operations.

Threshold represents the minimum total cost an individual inventory category must meet to be recognized as an asset on the Province's statement of financial position. Thresholds are applied separately to each inventory category.

Under this policy, only one inventory category is recognized for capitalization:

- Promotional items.

The following inventory categories are excluded from capitalization and must be expensed at the time of purchase:

- 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.).

