Internal Inventory Control Policy

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Internal Inventory Control Policy for LCC Projects Limited

1. Introduction

Effective inventory control is crucial to the smooth operation of **LCC Projects Limited**. As an infrastructure development company, managing materials, equipment, and supplies efficiently ensures that projects are delivered on time, within budget, and without unnecessary delays due to stockouts, wastage, or excess inventory. This **Inventory Control Policy** is designed to establish a structured approach for managing inventory throughout its lifecycle — from procurement to usage, storage, and disposal.

This policy applies to all employees involved in inventory management, including procurement, warehousing, project teams, and finance.

2. Objectives of the Inventory Control Policy

- **Efficiency**: To streamline the procurement, storage, and usage of materials and equipment, minimizing waste and unnecessary costs.
- **Cost Control**: To optimize the use of financial resources by maintaining optimal inventory levels and avoiding overstocking.
- **Timely Availability**: To ensure that the right materials and equipment are available at the right time for ongoing and upcoming projects.
- **Accountability and Transparency**: To ensure clear tracking and accountability of inventory items, reducing the risk of loss, theft, or misuse.
- **Compliance**: To adhere to applicable regulatory requirements, quality standards, and company-specific guidelines for inventory management.

3. Scope of the Policy

This policy governs all inventory items related to the infrastructure business, including but not limited to:

- **Construction Materials**: Cement, steel, aggregates, sand, and other raw materials.
- **Tools and Equipment**: Machinery, construction tools, and heavy equipment.
- **Consumables**: Items like fuel, lubricants, safety gear, and other project-specific supplies.
- **Spare Parts**: Parts for machinery and equipment maintenance.
- **Office Supplies**: Non-project-related inventory such as stationery, furniture, and IT equipment.

4. Inventory Management Process
4.1 Procurement and Ordering

- **Demand Forecasting**: The project teams and departments should provide a forecast of material and equipment needs at the start of the project or procurement cycle. Regular updates should be communicated to the procurement team to ensure that inventory levels align with actual project requirements.
- **Order Approval**: All material and equipment purchases must go through a standardized approval process. Purchase requests must be reviewed and approved by the project manager or department head before the procurement team places orders.

- **Vendor Selection**: Procurement must ensure that vendors are selected based on established guidelines (e.g., vendor selection policy). Vendors must be capable of delivering quality materials on time, in compliance with the company's standards and project specifications.
- **Purchase Orders**: Purchase orders (POs) should be created with clear descriptions, quantities, unit prices, delivery timelines, and payment terms. POs must be reviewed and signed off by authorized personnel to ensure accuracy and budget compliance.

4.2 Receiving and Inspection

- **Receiving Inventory**: When materials or equipment are delivered, the receiving team must immediately verify the quantity and quality against the purchase order and delivery note.
- **Inspection**: All incoming materials should be inspected for quality and specifications. Defective or substandard items must be immediately reported to the supplier for replacement or resolution.
- **Recording and Tagging**: All received items should be recorded in the inventory management system with relevant details, such as:
    o Item name/description
    o Quantity received
    o Supplier name
    o Date of receipt
    o Expiry date (if applicable)
- **Storage**: All materials and equipment should be stored in their designated locations within the warehouse or project site, ensuring proper handling, security, and organization. Items should be clearly tagged, labeled, and segregated based on type, usage, and shelf life.

4.3 Inventory Control and Tracking

- **Inventory Levels**: Inventory should be maintained at optimal levels, avoiding both excess stock and stockouts. Critical items should have minimum stock levels defined based on project requirements.
- **Inventory Records**: An up-to-date and accurate inventory record must be maintained in the inventory management system. This includes tracking:
    o Current stock levels
    o Items issued or consumed
    o Items received or returned
    o Stock adjustments (damaged goods, wastage, etc.)
- **Stock Audits**: Regular physical inventory counts (at least quarterly) should be conducted to reconcile actual stock with recorded quantities. Any discrepancies should be investigated and corrected promptly.

4.4 Distribution and Usage

- **Material Issuance**: Materials and equipment should only be issued based on approved requisitions from the project team. A **Material Requisition Form** (MRF) should be filled out and approved before the issuance of items from the warehouse.
- **Usage Control**: Project managers and team leaders must ensure that materials are used efficiently and according to project specifications. Any materials or equipment not used should be returned to inventory for future use.
- **Consumption Tracking**: As materials and equipment are used on-site, their consumption should be recorded in the inventory system. This helps ensure that there is proper tracking of usage rates and any potential shortages.

- **Preventive Maintenance**: For machinery and equipment, regular preventive maintenance schedules must be followed. Spare parts and maintenance tools should be stocked based on the manufacturer's recommendations and past usage patterns.
- **Spare Part Inventory**: A dedicated inventory of critical spare parts should be maintained, especially for heavy machinery and essential tools. The minimum stock level for these items should be defined to avoid delays in project execution due to equipment downtime.

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5. Reporting and Analysis

- **Inventory Reports**: Monthly inventory reports should be generated, summarizing stock levels, material usage, and any discrepancies. These reports should be reviewed by the procurement and finance teams for budget and cost control.
- **Stock Aging Reports**: A monthly aging report should be created to track the age of inventory items, especially for items with shelf life (e.g., chemicals, paints). Items nearing expiration should be flagged for use or disposal.
- **Turnover Analysis**: Analysis of inventory turnover should be conducted regularly to identify slow-moving or obsolete stock. Strategies should be implemented to minimize overstocking and optimize cash flow.

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6. Inventory Loss Prevention

- **Security Measures**: Warehouse and storage areas must be secured with adequate lighting, fencing, CCTV surveillance, and controlled access to prevent theft and unauthorized access.
- **Material Handling**: All personnel handling materials and equipment must be trained in proper handling and storage procedures to minimize loss, damage, and wastage.
- **Inventory Adjustments**: Any discrepancies in inventory counts (due to damage, theft, or errors) should be promptly reported to the procurement and finance teams for investigation and adjustment in the inventory records.
- **Disposal of Obsolete Inventory**: Items that are obsolete, expired, or damaged beyond repair should be removed from inventory and disposed of properly. A **Disposal Form** should be filled out and approved before disposal.

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7. Roles and Responsibilities

- **Procurement Department**: Responsible for ensuring the timely purchase of materials, tools, and equipment based on project requirements and budget.
- **Warehouse/Inventory Manager**: Responsible for overseeing inventory storage, stock levels, issuance, and physical counting.
- **Project Managers**: Ensure that inventory is utilized efficiently, and material requisitions are appropriately approved.
- **Finance Department**: Responsible for ensuring that inventory records align with financial records, conducting cost analysis, and approving payments.
- **All Employees**: All employees must follow the guidelines for using and managing inventory materials and report any issues with inventory to the appropriate departments.

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8. Compliance and Audits

- **Regulatory Compliance**: Inventory management must comply with all relevant laws, including those related to environmental standards, health and safety regulations, and tax requirements.
- **Audit Process**: Regular internal and external audits will be conducted to ensure adherence to this policy and evaluate the efficiency of the inventory control system.

9. Review and Amendments

This policy will be reviewed annually or whenever significant changes occur in the business operations or regulatory environment. Changes will be communicated to all relevant employees.

By following this **Inventory Control Policy**, **LCC Projects Limited** aims to reduce inventory-related inefficiencies, improve project execution, and maintain cost-effective inventory management practices.