

# **Warehouses and Materials Receiving Guide**

## **Issued under Law No. 6 of 2008**

### **Concerning Purchases, Tenders, Auctions, and Warehouses**

#### **Introduction:**

In the context of the work program and development plan for the Department of Finance systems, we are pleased to adopt and issue the Warehouses and Materials Receiving Guide, which contains provisions and procedures for receiving materials and organizing their storage in warehouses.

In applying the provisions of the Purchases, Tenders, Auctions, and Warehouses Law, the Warehouses and Materials Receiving Guide serves as the executive regulation of the law regarding the provisions and procedures for storing and receiving material purchases. The Purchases, Tenders, and Auctions Guide also serves as the executive regulation of the law and must be referred to in all matters related to its application concerning procurement and contracting policies, provisions, and procedures.

The strategic objectives of this system revolve around two dimensions:

- Reducing the approach of stockpiling materials in warehouses and providing a more efficient alternative for the use of public funds, which is the use of supply contracts to meet the needs of the concerned local departments for materials in an effective and simplified manner, in accordance with the procedures mentioned in the Purchases, Tenders, and Auctions Guide.
- Establishing strict controls for materials that may be kept in warehouses, as well as controls for identifying stagnant and slow-moving materials and the procedures for handling them.

May God grant us all success in what we aspire to for a prosperous future, progress, and service to our dear homeland.

Chairman of the Department of Finance, Mohammed bin Khalifa Al Nahyan

June 3, 2008

## **Chapter One - General Provisions and Definitions**

### **Article (1): Definitions:**

1. **Warehouse:** It is the place designated for storing materials classified as "materials intended for storage" and "materials intended for disposal." A main central warehouse and other sub-warehouses may be established as needed, supplied by the main warehouse. Sub-warehouses may also directly receive material purchases, provided that in all cases, purchasing is done from the competent authorities and in accordance with the approved systems.
2. **Warehouse Keeper:** The employee who manages the warehouses or the unit responsible for them and supervises them. Their responsibility extends to organizing the item cycle concerning their receipt, inspection, storage, disbursement, return, and transfer, and implementing and controlling this cycle.
3. **Materials Intended for Storage:** These are materials classified as "materials intended for storage" under the provisions of this guide and are kept in warehouses until needed later. "Materials intended for storage" are only purchased upon request from the Warehouse Keeper according to approved procedures.
4. **Materials Intended for Disposal:** These are assets, equipment, and damaged or obsolete materials and the like, intended for sale by auction or any other method of disposal as appropriate, after being written off from the accounting records.
5. **Materials Intended for Direct Consumption:** These are all materials that may not be classified as "materials intended for storage," and it is required in all cases that they be purchased from the competent authorities and in accordance with the approved systems.
6. **Warehouse Purchases:** These are purchases of materials classified as "materials intended for storage" and are added to the warehouse's custody upon purchase.
7. **Direct Purchases:** These are purchases of materials classified as "materials intended for direct consumption," the value of which is deducted from the relevant expense item and is not added to the warehouse's custody.

8. **Warehouse Custody:** It is the quantity and value of all materials kept in the warehouses. The custody increases with the quantity and value of warehouse purchases, returns of warehouse issues, or materials transferred from other warehouses, and decreases with the quantity and value of warehouse issues for consumption, returns to suppliers, or transfers to other warehouses.
9. **Average Cost:** It is the result of dividing the total value of items of materials kept in the warehouses by the total quantity of the same item. The average cost changes whenever materials are received at a price different from the average cost.

## **Article (2): General Provisions:**

1. The Department has the option to have or not to have its own warehouses.
2. A Department that chooses to have its own warehouses must inform the Department of Finance and adhere to the policies and procedures contained in this guide.
3. A Department that has its own warehouses must classify materials into "materials intended for storage," "materials intended for disposal," and "materials for direct consumption" in accordance with the provisions of this guide.
4. A Department that does not have its own warehouses must make the necessary arrangements for storing materials intended for disposal in accordance with the provisions of this guide.
5. All purchases of a Department that does not have its own warehouses are considered "direct purchases."
6. The Department of Finance shall prepare, design, and establish the forms for warehouses. After consulting the concerned Department, the Department of Finance shall prepare the documentary cycle for warehouses so that warehouse movements (additions, deductions, returns, and transfers) are carried out in accordance with what is stipulated in this cycle and according to the forms prepared for this purpose.

### **Article (3): Materials Intended for Storage:**

1. To classify materials as "materials intended for storage," they must have been purchased or issued from the warehouses at least three times within twelve consecutive months, regardless of the quantity issued each time. However, some materials that do not meet this condition may be classified as "materials intended for storage" with the approval of the Department's Undersecretary in exceptional cases, such as materials related to safety procedures, having an unusually long supply period, or the like.
2. Only materials classified as "materials intended for storage" shall be kept in warehouses; materials classified as "intended for direct consumption" shall not be kept there.
3. Purchases of capital assets are not kept in warehouses; rather, their purchase value is recorded in the fixed assets register at the time of purchase, with all direct purchase expenses added to their value.
4. Purchases of "materials intended for storage" are recorded in the warehouse records and accounting records as custody at the time of purchase, and their purchase value is not deducted from the appropriate expense item until they are issued for use and consumption.

### **Article (4): Materials Intended for Disposal:**

1. Materials intended for disposal shall be kept in a separate place in the warehouses until their disposal is completed.
2. "Materials intended for disposal" shall be recorded in special registers separate from the accounting records of warehouse custody.

### **Article (5): Materials Intended for Direct Consumption:**

1. Purchases of "materials intended for direct consumption," which are direct material purchases, are not kept in warehouses, are not added to warehouse custody, and are not recorded in its records.
2. The value of purchases of "materials intended for direct consumption" is immediately deducted from the appropriate expense item at the time of purchase.

## **Article (6): Material Coding**

The Department of Finance shall establish a central coding system and a specifications catalog for all purchased materials, whether direct or warehouse purchases, for application in all departments.

## **Chapter Two - Warehouse Management:**

### **Article (7): Storage Policies and Provisions:**

1. Accounting records shall be maintained by the Accounts Department to monitor the value of inventory, and detailed warehouse records for the quantity of each item shall be kept by the Warehouse Keeper. A monthly reconciliation shall be conducted between all records, with an examination of the causes of discrepancies immediately upon discovery and taking the necessary action to determine responsibility.
2. The units comprising the concerned Department must prepare, six months before the beginning of the fiscal year, estimates of their needs for warehouse purchases for the new year. These estimates shall be submitted to the Accounts Department to be taken into consideration when preparing the Department's estimated budget.
3. Each Department shall establish a warehouse supply policy in light of the suggestions from its constituent units, taking into account the provision of all the Department's needs for all types of materials intended for storage to meet operational, maintenance, and construction requirements, considering the time required for supply and ensuring a sufficient balance to meet work needs until the supply begins.
4. By a decision from the Head of the Department, in exceptional cases, strategic reserves may be formed for materials classified as "materials intended for direct consumption" or for materials classified as "materials intended for storage," exceeding the specified upper limit for each.
5. Efforts must be made to reduce the number of types of materials intended for storage as much as possible by reclassifying them as "intended for direct consumption" and purchasing them through supply contracts or purchase orders, as appropriate, instead of storing them.

6. For each type of material intended for storage, a minimum limit, maximum limit, and reorder point must be determined and recorded in the warehouse records, taking into account the following:
  - a. For determining the minimum limit, the time required to supply each item locally or externally, its procurement procedures, and consumption rates according to operational programs and the maintenance and repair operations they require, shall be considered.
  - b. For determining the maximum limit, the balance of the item should not exceed the average consumption of a full year as much as possible, taking into account the storability of the items, their susceptibility to damage, the availability of items in the market, changes in specifications, price fluctuations, and requests for supplying items for which procurement procedures have not been completed and items that have been contracted but not yet supplied.
  - c. For determining the "reorder point," the minimum limit shall be taken into account, plus what is sufficient for operational needs during a period starting from the time the order is prepared until the items are received in the warehouses, and the availability of the item in the market, considering purchase requests for items for which procurement procedures have not been completed and items for which purchase orders or supply orders have been issued but have not yet been supplied.

### **Article (8): Warehouse Keepers and Their Duties:**

1. One or more keepers shall be appointed for each warehouse according to work needs and the organizational structure in the concerned Department. In the case of multiple keepers, they shall be jointly and severally responsible. A warehouse keeper may also have one or more assistants, and the assistant warehouse keeper shall be responsible and jointly and severally liable with the warehouse keeper, and shall sign with them on the warehouse custody statements, and may replace them in their absence.
2. Warehouse keepers and those in similar positions are personally responsible for the items in their custody, for their preservation and care, and for the accuracy of their weight, number, size, and type, and for everything that could expose them to damage or loss. Their

responsibility is not discharged unless it is proven to the concerned Department that this resulted from causes or circumstances beyond their control and which could not have been foreseen.

3. Upon the transfer or termination of service of a warehouse keeper or someone in a similar position, or their absence from work due to leave or any other reason, another employee shall be assigned to assume the duties of the warehouse keeper.
4. Warehouse keepers and those in similar positions must submit periodic reports to the appropriate level of authority according to the organizational structure in the concerned Department to take the necessary appropriate actions regarding the items listed below:
  - a. Surplus to requirements.
  - b. Redundant.
  - c. Obsolete.
  - d. Unusable.
  - e. Perishable.
  - f. Having a specific expiration date.

### **Article (9): Slow-Moving, Stagnant, and Surplus Materials:**

Materials that have had no receipt or disbursement movement according to warehouse records for a continuous and uninterrupted period of twenty-four months must be written off for disposal by auction or any other disposal method according to the applicable regulations.

### **Chapter Three – Receiving Materials:**

### **Article (10): Receiving, Storing, and Issuing Materials Intended for Storage:**

1. Upon receipt of "materials intended for storage," they are inspected by the warehouse keeper and their assistants to verify that the received materials conform to the purchase order or supply order in terms of quantity and specifications. If the inspection of materials requires special technical expertise, the warehouse keeper must seek assistance from an employee with expertise in the received materials. A committee of experts may be formed upon the receipt of "materials

intended for storage" in large quantities or of high value, the amount of which is specified in the committee formation decision, to assist the warehouse keeper in inspection and receiving.

2. A paper or electronic receiving note is issued for the quantities actually received and conforming to specifications. These materials are stored in the warehouse, and the quantity is added to the warehouse custody records, and the value of the materials is added to the accounting records.
3. Received materials that do not conform to specifications or exceed the quantity required according to the purchase order or supply order are kept in a special place pending their return or replacement, as appropriate. The supplier is notified of this in writing by the Purchasing Department, and the financial unit in the Department is also informed.
4. Warehouse materials are issued to the user departments with paper or electronic issue notes. The issued items are priced at the average cost, the value of the issued items is recorded against the appropriate expense item, and the quantity and value are deducted from the warehouse custody in the warehouse and accounting records.
5. Items returned to the warehouse that were previously issued are documented with a paper or electronic return note. Their value is deducted from the same specific expense item previously debited upon their issuance, and the quantity and value of the returned items are added to the warehouse custody in the warehouse records and accounting ledgers.
6. Items are stored in the warehouses, each type separately and in a manner suitable for work needs, such that the storage system facilitates following the first-in, first-out method. It is necessary to provide protection for the assets by securing the warehouses against weather elements and others. For items stored in open-air warehouses, their use should be limited to items not affected by weather conditions, those of low value, large size, or not affected by long-term open-air storage. It is also necessary to equip these warehouses with suitable covers and wooden bases to protect the assets and to ensure security by having high fences and necessary guarding.

7. Warehouse keepers must store used items in a different place from new items. They must also store petroleum and flammable materials in special warehouses appropriate to their nature.

### **Article (11): Receiving Direct Purchases:**

1. For departments that do not have warehouses, materials from direct purchases are initially received in a designated area for this purpose, or other suitable receiving arrangements are followed. The requesting user department is immediately notified of their arrival, or they are sent directly to it upon arrival, depending on the nature of the materials.
2. The requesting user department inspects the received materials to ensure they conform to the purchase order or supply order in terms of quantity and specifications.
3. The requesting user department issues a paper or electronic receiving note for the quantities actually received and conforming to specifications, and their value is deducted from the appropriate expense item.
4. Received materials that do not conform to specifications or exceed the quantity according to the purchase order or supply order are kept in a special place pending their return or replacement, as appropriate. The supplier is notified of this in writing by the Purchasing Department, and the financial unit in the Department is also informed.

### **Chapter Four - Inventory Count:**

#### **Article (12): Annual Comprehensive Inventory Count:**

1. A department that has its own warehouses must conduct a comprehensive inventory count of all its warehouse contents at least once a year, without prejudice to the system of surprise partial inventory counts during the year.
2. The annual comprehensive inventory count begins on December 15th of each year and must be completed before the end of the following month, January, at the latest. However, if the nature of work in some warehouses requires that movement not be stopped for the purpose of this count, the balances must be reconciled and adjusted

back to December 31st by performing addition and subtraction operations resulting from warehouse movement during the inventory period.

3. Annual inventory count committees shall be formed by a decision from the appropriate level of authority based on the proposal of the financial officer in the Department and after consulting other units therein.
4. In forming the inventory count committees, representation of the financial affairs and technical affairs units of the Department shall be considered, and the count shall be conducted in the presence of the warehouse keeper.
5. The inventory count committees shall prepare lists of what is counted, showing the actual balances of the items and their correspondence with the balances according to the warehouse records, and documenting any deficit or surplus that may appear. If the committee finds a deficit or surplus, it shall record it in the inventory lists.
6. Inventory lists are prepared according to the form prepared by the Department of Finance for this purpose.
7. A copy of the inventory lists is sent to the financial officer in the concerned Department to give their opinion on any surplus or deficit shown in these lists. In the case of a financial or administrative violation, the matter is referred to the appropriate level of authority in the Department to take the necessary disciplinary measures against the violation in accordance with the provisions of the Civil Service Law.
8. In the case of a deficit or surplus, the concerned Department shall notify the Department of Finance with a report on its causes. The Department of Finance shall settle the inventory discrepancies, either by writing off or adding, after examining their causes. The concerned Department shall not make any adjustments to the warehouse records until it receives the decision of the Department of Finance in this regard.
9. In the case of loss or damage of items due to reasons beyond the control of the warehouse keeper, these items shall be deducted from the custody balance based on minutes approved by the appropriate

level of authority in the concerned Department, provided that the Department of Finance is notified.

10. The inventory count committees must prepare a report on the warehouses they have counted, including all violations or inventory discrepancies encountered during the count, especially:
  - a. Errors in the description or classification of items.
  - b. Poor condition of items or inadequate preservation procedures.
  - c. Errors made in recording in the ledgers.
  - d. Items that require special protection.
  - e. Items that have expired.
  - f. Any recommendations the committees deem necessary to avoid errors and overcome obstacles.
  - g. The annual comprehensive inventory lists are kept in a special file for reference when needed.

### **Article (13): Surprise Partial Inventory Count:**

1. Items are subjected to a surprise partial inventory count in coordination between the Accounts Department and the Internal Audit Unit, according to perpetual inventory programs or other programs established for this purpose, as decided by the Undersecretary of the concerned Department or their equivalent, by committees formed for this purpose.
2. In the case of a deficit or surplus, the concerned Department shall notify the Department of Finance with a report on its causes. The Department of Finance shall settle the inventory discrepancies, either by writing off or adding, after examining their causes. The concerned Department shall not make any adjustments to the warehouse records until it receives the decision of the Department of Finance in this regard.
3. In the case of loss or damage of items due to reasons beyond the control of the warehouse keeper, these items shall be deducted from the custody balance based on minutes approved by the appropriate level of authority in the concerned Department, provided that the Department of Finance is notified.

4. A report is prepared on the surprise partial inventory count, including any violations or inventory discrepancies.