
**DEFICIENCIES OF INVENTORY MANAGEMENT AND ITS
PERFECTION ISSUES ON THE EXAMPLE OF SOME MUNICIPALITIES
OF GEORGIA**

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Abstract

Accounting documents should be reflected in the absolute accuracy of the assets and equity, the entrepreneurial and economic activity of the enterprise and its consequences. Therefore, periodically it is necessary to determine the actual state of material, non-material and monetary resources and compare it to the records in the documents. As a result of the inventory, the facts of misuse of economic resources, misappropriation of resources, misappropriation of monetary means and violation of settlement discipline are revealed. Precise and timely inventory is one of the most important and useful mechanisms for municipalities to effectively manage their assets.

Keywords: accounting, economics, enterprise

1. INTRODUCTION

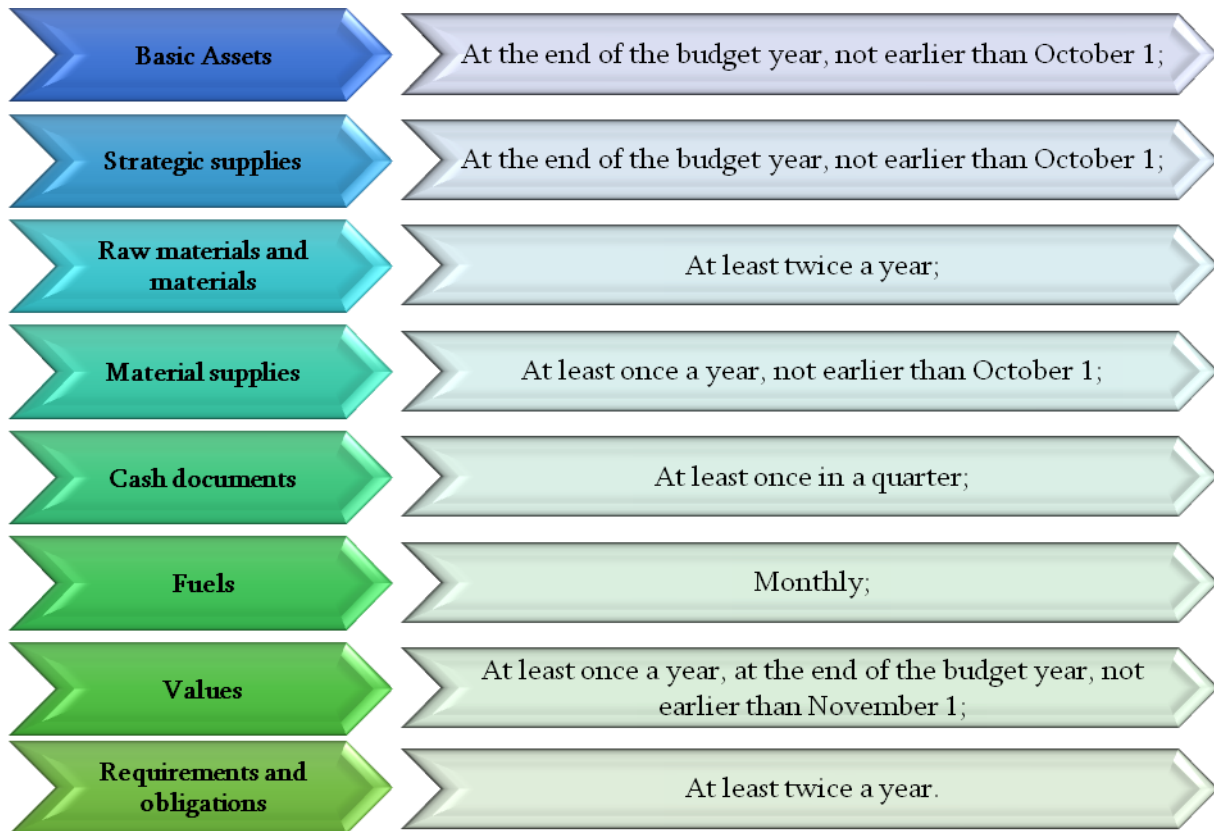
On the one hand, the existence of an inventory system allows the management to maintain the accuracy and accuracy of the information provided in the financial statements, and on the other hand it helps the municipality representatives to take appropriate analytical decisions. For example, if the management of the municipality does not possess the information on the facts of the materials purchased by him, he may additionally acquire the same type of material, while the materials purchased in the previous period are still unused and warehouse. Obviously, this decision will have a negative effect on the effective and rational spending of public finances. To sum up all of the above, we conclude that there is an important connection between effective inventory system and organizational activity of the municipality. In particular, the inventory system at municipal level provides:

- ✓ Optimal use of public resources and resources;
- ✓ High level of transparency and accountability;
- ✓ Increase efficiency of municipality activities;
- ✓ Reduce the balance of material supplies and their timely use;
- ✓ Reduction of costs;

In Georgia, the process of conducting inventory in public sector is regulated by the order of the Minister of Finance - "Rule of conducting inventory of property, requirements and obligations in budgetary organizations". In order to ensure the authenticity of accounting and reporting data, the organization is obliged to carry out the inventory of property, claims and obligations. It is obligatory to carry out inventory of assets and liabilities in local self-governing

units annually, at the end of the budget year, except for real estate and library funds which are required to be inventoried at least once every three years. According to the current legislation, the recommended timeframe for determining inventory for different groups of assets is reflected in the figure No. 1.

Figure 1. Recommended time for inventory in municipalities for different groups of assets



A large part of the budgetary assignments of local self-government units in Georgia is aimed at increasing non-financial assets and purchasing various commodity-material supplies. The management of the municipality is obliged to impose control over the use, storage and disposal of acquired assets in order to provide the local population with the benefit of public finances on a timely and high quality basis. One of the mechanisms for control of these assets is inventory.

Some municipalities from regions of Georgia have been surveyed by selectively, whether to determine inventory in municipalities. The results of the survey are outlined in Table №1.

table 1.

The condition of conducting inventory on several municipalities in 2015-2017

Region	municipality	status
Mtskheta-Mtianeti	Kazbegi	Not done
Samtskhe-Javakheti	Akhaltsikhe	Not done
Guria	Lanchkhuti	Was conducted
Kvemo Kartli	Gardabani	The deadlines have not been observed, the differences were revealed and the further reaction was not followed
Samtskhe-Javakheti	Akhalkalaki	Was conducted
Samegrelo-Zemo Svaneti	Martvili	Not done
Samtskhe-Javakheti	Borjomi	Was conducted
Kvemo Kartli	Tetritskaro	Not done
	Kvareli	Not done
Samtskhe-Javakheti	Adigeni	Was conducted
Samtskhe-Javakheti	Ninotsminda	Not done
Kakheti	Sighnaghi	Was conducted only the transport and material values inventory.
Kakheti	Gurjaani	Not done
Samegrelo-Zemo Svaneti	Chkhorotsku	Not done
Imereti	Vani	ჩატარდა
Shida Kartli	Khashuri	Not done
Kvemo Kartli	Dmanisi	Not done

Imereti	Chiatura	Not done
Guria	Ozurgeti	Was conducted
Kvemo Kartli	Bolnisi	Was conducted
Kakheti	Akhmeta	Not done
Samegrelo-Zemo Svaneti	Abasha	Not done
Shida Kartli	Kareli	Was conducted

Source: Information provided from municipalities

If we summarize the information given in the table, we will see that the inventory system is not in the local self-governing units. In particular, most of the municipalities do not carry out inventory at all, and in some municipalities where there are some important flaws. Accordingly, there is a high risk that all the assets owned by the organization are not assumed to be responsible for the recipients. The absence of a person responsible for keeping the assets implies that the municipality does not have the proper control over the property and material assets of his property. As a result the municipality does not have information on the property of its property.

Example N°1:

- By the beginning of 2016, one of the municipalities was receiving a balance of GEL 235.1 thousand worth of funds, through which the infrastructure projects were to be implemented in different villages. The municipality did not have inventory inventory and had no information about the actual situation of materials. In 2016-2017 the municipalities purchased additional building materials and by 2017 the building materials of 513.4 thousand lari remained unused and warehouses. After studying the issue, it was found that 10.7 thousand GEL of the materials were damaged, and the whereabouts of the value of 65.7 thousand GEL are uncertain.

As the example shows, the municipality failed to establish appropriate control over the use of materials owned by him. By the end of 2016, if the municipality would provide an inventory, it would have been able to find out the existing balances and would not have

purchased additional materials that were already owned. This would prevent the loss of materials as well as their losses.

For optimal use of public resources and resources, it is desirable that the municipality carry out the inventory of the insertion for the end of each reporting period and determine the existing condition of the balances. The next step is to study the limit of the demand for supplies required to implement various infrastructural projects and plan the volume of procurement for the new reporting period by considering these indicators. This will facilitate the reduction of material reserves and their timely utilization, the effectiveness of the municipality's activities and the cost reduction;

Example №2:

- By the beginning of 2016, one of the municipalities had 36 transport vehicles on the balance. The municipality did not have an inventory inventory during the previous reporting year and had no information on the actual situation. As a result of the study, 5 vehicles were not confirmed.

An example illustrates that the municipality has no control over the property and material assets of his property. It is important that local self-governing entities implement such policies and procedures that will enable efficiently manage assets at every stage of use, storage and disposal.

Example №3:

- In 2016, one of the municipalities had to pay the suppliers' debts of GEL 989.73 thousand which was not submitted to the financial statements.

The municipality has only invented inventory of material assets during the reporting period. In the event that the full inventory of the requirements and liabilities would be fulfilled, their actual situation would have been determined and data in the financial statements were accurate and perfect. As a result, stakeholders were provided with relevant information about the municipality's financial position.

Inventory plays an important role in the financial sector of the public sector. Despite its great importance, the study showed that the inventory process remains a significant challenge for the local authorities of Georgia. Since the local self-governing entities have not been able to

formulate an effective inventory system, it is necessary to work with them on this issue. It is desirable that the controlling authorities should ensure the management of the municipality's leadership about the role and purpose of the inventory. In case of necessity, additional trainings may be planned to increase the qualification of the personnel employed in inventory control management.

For the establishment and functioning of a comprehensive inventory system, it is recommended that organizations develop internal regulations that are in compliance with the current legislation, to select inventory methods and techniques that are most relevant to their activities and to conduct an annual inventory procedure Rice. Which ensures the actual balance of assets and liabilities, compare their accounting data and preparation and submission of fair and accurate financial statements.

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