

DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM



DISPOSAL OF MOVABLE ASSETS POLICY

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1. INTRODUCTION

Asset disposal is the final phase in the life cycle of an asset. It is the outcome of the organization's realization that the economic life of an asset has expired, or the need for the service provided by the asset has changed. Asset disposal has to be carefully planned and executed in the transparent and cost effective manner.

2. BACKGROUND

The implementation of Supply Chain Management (SCM) this has necessitated the development of Departmental Asset Disposal Policy. The intention of the policy is to provide managers with an enabling mechanism for the effective disposal of assets.

3. OBJECTIVES

The policy aims to achieve the following objectives which are to ensure that:

- ❖ There is transparent, efficient, effective and economical disposal of assets.
- ❖ The disposal of assets is aligned to the Department's asset acquisition and procurement plans.
- ❖ The prime objectives of service delivery in the Department are achieved at the optimum level of investment.

4. LEGAL FRAMEWORK

- a) Public Finance Management Act; 1999
- b) Treasury Regulations
- c) Supply Chain Management principles
- d) Departmental asset management policy

5. SCOPE OF APPLICATION

This policy applies to Head office and all district offices in the Department.

6. DISPOSAL PRINCIPLES

- a) Transparency
- b) Fairness

- c) Effectiveness and efficiency
- d) Economically

7. APPOINTMENT, ROLES AND RESPONSIBILITIES OF A DISPOSAL COMMITTEE

The Accounting Officer will appoint a Disposal Committee of at least four members every three years, whose main function will be to make recommendations regarding disposal of assets.

The membership of Disposal Committee shall be constituted as follows:

- ❖ Chief financial officer (CHAIPERSON)
- ❖ Manager Assets
- ❖ Official from Demand and Acquisition units
- ❖ Representatives of Asset Management
- ❖ Official from Information Technology
- ❖ Official from financial services

The official from Asset Management will serve as the secretariat to the Disposal committee. These committee members will serve a term of three years.

The roles and responsibilities of disposal committee shall be to:

- ❖ Report on surpluses, deficiencies, redundant, damaged or unserviceable assets.
- ❖ Determine the causes of the above abnormal situations.
- ❖ Determine whether loss control procedures have been followed in respect of loss, damages, error, negligence, fraud and theft.
- ❖ Determine the disposal method of the assets.
- ❖ Make officials to provide statements where it deemed necessary to arrive to the appropriate decisions

When the Accounting Officer has approved the recommendations of the Disposal committee, the following Disposal methods can be applied by the Department:

- ❖ Transfer to another institution in terms of section 42 of the PFMA.
- ❖ Transfer to another institution at market related value.
- ❖ Donation
- ❖ Sale by public auction or tender
- ❖ Write- off

Asset management will keep all records of the activities of the Disposal Committee in a safe secure environment.

8. ASSET DISPOSAL MANAGEMENT PROCESSES

1.1 Physical verification of all assets

Physical verification of assets will be conducted quarterly (spot checks) and bi-annually. It will be reflected in the Department's operations and maintenance plan (asset registers). During the regular physical verification of assets, Asset management will assess the physical condition of all assets and verify their existence and location. A schedule of all assets that are identified as disposable is drawn and attached to the physical verification report. These assets are placed in secured and suitable warehouse for further inspection.

1.2 Physical Inspection of Disposable Assets

This level of inspection must happen within ten days (10) of completion of disposal report. The objective is to confirm information on disposable assets gathered during physical verification and to separate assets that can still be refurbished or upgraded from those that must be disposed.

Assets Management will therefore compare the status of each disposable asset as per data on the physical verification report with data on the asset register. IT UNIT will, upon formal request by Asset Management, prepare a technical report on the Labour Saving Devices (**IT RELATED EQUIPMENT**) whose useful lives are finished. This report from IT will be attached to the disposal committee report.

1.3 Meeting of the Disposal Committee

Asset Management will ensure that the meeting of the Disposal Committee happens within 14 days of completion of the physical inspection of disposable assets and the availability of a technical report in case of equipments. The meeting will finalize and formalize the recommendations as per roles and responsibilities of the committee.

1.4 *Submission of Recommendations to the Accounting Officer*

Asset Manager will submit to the Accounting Officer a request for approval of disposal of the assets within 7 days of the sitting of the disposal committee. Only the Accounting Officer is authorized to approve the disposal of assets or a delegated official appointed in writing by the Accounting Officer.

1.5 *Derecognizing of Assets from the Asset Management Records*

Assets will be derecognized from the Asset Register within 10 days of the receipt of the finalisation of the disposal. This process entails completion of Asset Disposal report and updating the asset register. Room inventory lists will also be updated accordingly after the decommissioning of the asset for disposal.

1.6 *Methods of Disposing Assets*

The Accounting Officer can use the following methods to dispose assets in the Department namely:

1. Donations
2. Public Auction
3. Sale through bidding process

1.7 *Notice of the Disposal of Assets*

A detailed Department circular will be distributed to all levels of the Department informing them of the disposal of assets. This will happen within 7 days of the approval of the circular.

1.8 *Awarding of Assets*

Assets will be awarded within 30 days of circulation of the notice of disposal. Assets will be awarded to the applicants as per written application and on a first- come – first serve basis. Schools will be granted the first opportunity in respect of furniture and equipment. The Accounting Officer can decide to donate or to transfer the assets. All awarded assets will have to be collected as “voetstoots” within 7 days by the successful recipient.

9. LOSSES

Should an asset become missing be it through loss or theft, the appointed custodian is to immediately report the relevant Manager in the form of a report detailing inter alia the

description of the asset in question and how the loss occurred. Attached to this report a copy of a statement made to the South African Police Services (with case no) must be submitted. The relevant managers will submit this information to the Asset Management who will record that information on the Loss Register. The case will be investigated to determine whether negligence was evident in the loss. Should it be determined that the loss occurred through the custodian's negligence, the Department will ensure that appropriate action is taken against the relevant custodian.

Should it be proven that no negligence was evident, the case must be written off accordingly. This action is further supplemented by section 12.5.2 of the Treasury Regulations which states: "the accounting officer may write off losses or damages arising from criminal act or omissions if after a thorough investigation, it is found that the loss or damage or irrecoverable"

Once the Accounting Officer or his/her delegate has approved a write-off of the loss, Asset Management must amend the details in the Asset Register as enshrined in section 12.5.3 of the Treasury Regulation which states "When movable assets are written off, this must be noted in the asset register."

10. STATE VEHICLES AND SUBSIDISED VEHICLES

State vehicles will be disposed as per transport policy. However, a vehicle whose useful life is finished will be kept safely on the Departments premises until all necessary processes have been put in place for removal of the asset to the disposal site.

The full ownership of the subsidized vehicles will be transferred to user/ official upon the full payment of the purchased price. Other conditions will be treated as specified in the subsidized transport procedure manual.

11. LEASED ASSETS

Contract Management and Asset Management will keep proper records of all leased assets and leased will be removed from the registers after expiry of the contract.

12. DISCLOSURE IN ANNUAL FINANCIAL STATEMENT

Disposal of an asset will be disclosed at the carrying value at which it was recorded in the asset register.

13 APPROVAL & EFFECTIVE DATE

This policy will become effective from the date of signature by the accounting officer.

RECOMMENDED



CHIEF FINANCIAL OFFICER
DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM

22 February 2013
DATE

APPROVED



HEAD OF DEPARTMENT
DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM

22 February 2013
DATE