



the dr&pw

Department:
Roads and Public Works
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

DEPARTMENTAL MOVEABLE ASSET DISPOSAL POLICY

VERSION2

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1. DEFINITIONS AND ACRONYMS

Accounting Officer:	(hereinafter referred to as AO) is the Head of the Department (HOD) of Roads and Public Works.
Asset:	is a resource controlled by the Department as a result of past events and from which future economic benefits are expected to flow to the Department.
Asset Bar Code Label:	refers to a unique number that is affixed to an asset.
Asset Controller:	refers to a person to whom the delegated powers on asset / control management within the District Office has been assigned, and is also responsible for safeguarding these items until such time when these items are returned to the asset disposal store to be disposed of.
Asset Disposal:	the process by which the DRPW relinquishes control of an asset through decommissioning or selling thereof.
Asset Holder:	refers to a person to whom assets have been issued to. The asset holder is accountable for assets in his/her office and he/she is therefore responsible for safeguarding these items until such time when these items are returned to the asset disposal store to be or disposed of.
AM:	Asset Manager
Asset Management:	is the process of guiding the acquisition, use, safe-guarding and disposal of assets to make the most of their service delivery potential and manage the related risks and costs over their entire useful life.
Asset Register:	is the asset database that provides the basis for the figures in the financial statements. It includes information on asset purchase prices and dates, asset description, locations asset holder, condition and expected life.
AMU:	Asset Management Unit
BBBEE:	Broad-Based Black Economic Empowerment
Capital Asset:	means any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future benefit can be derived, such as plant, machinery and equipment.
CA:	Confirming Authority
CFO:	Chief Financial Officer

Department (DRPW):	means the Department of Roads and Public Works, Northern Cape Province or any person(s) or committee delegated with the authority to act on its behalf.
Discrepancies:	refers to all shortages / surpluses of assets discovered during the asset verifications (eg. losses/theft) and cannot be accounted for.
Donated Items:	refers to assets transferred or received to/from other institutions at no cost.
Information Technology (IT)-Related Assets:	refers to office computer equipment such as desk tops, printers, scanners, notebooks (laptops) etc.
Major Assets:	refers to non-consumable items with an expected lifespan of more than one year and a purchase price of five thousand Rand and more (R5 000.00 per item).
Minor Assets:	refers to non-consumable items with than a year and with a purchase price of less than five thousand Rand (R5 000.00 per item).
NGOs:	Non-governmental Organisations
Non-IT Related Assets:	refers to DRPW equipment/furniture including other electronic devices that does not require the attention of an IT Specialist when a fault is encountered (e.g. fridges, microwave ovens) but requires external service providers for their repairs.
Obsolete Item:	refers to any asset that can no longer be used due to obsolescence.
PFMA:	the Public Finance Management Act, Act 1 of 1999, as amended by Act 29 of 1999.
PPPFA:	the Preferential Procurement Policy Framework Act, Act 5 of 2000.
Privately Owned Assets:	refer to items owned by officials and which are not recovered in the Asset Register of the DRPW as assets acquired through state funds.
Redundant item:	refers to assets that can no longer be required by DRPW but which can still possibly be utilized within other governmental departments / institutions etc.
SAPS:	South African Police Service
SCM:	Supply Chain Management
"Voetstoots":	means without guarantee or warranty; at the buyer's risk.

2. INTRODUCTION

The purpose of the DRPW Moveable Asset Disposal Policy is to provide a framework for the disposal of the Department's moveable assets that are not needed to provide the minimum level of basic departmental services and that are surplus to the Department's requirements. Section 54(2) of PFMA states:

“(2) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:

(c) acquisition or disposal of a significant shareholding in a company;

(d) acquisition or disposal of a significant asset;”

Decisions to dispose of a moveable asset require thorough examination and economic appraisal. Like acquisition decisions, they must be taken within an integrated planning framework that takes account of service delivery needs, corporate objectives, financial and budgetary constraints and overall resource allocation objectives.

While disposal may represent the final stage in the strategic asset management process, disposal action may generate the need for a new or replacement asset to support the continuing delivery of services.

3. SCOPE OF THE POLICY

This policy will be applicable to all redundant, obsolete, unserviceable moveable assets, namely office furniture, office equipment, computer equipment, other machinery and equipment and inventory.

4. POLICY OBJECTIVES

The objectives of this departmental Moveable Asset Disposal Policy are to:

- ensure that only moveable assets that do not provide the minimum level of basic services are disposed of;
- ensure that moveable assets are not disposed when the disposal thereof or the terms of such disposal could disadvantage the Department or community financially or otherwise;
- ensure that all disposals comply with the PFMA, Treasury Regulations and the Supply Chain Management Policies of the Department;
- unlock capital or a revenue income stream from the disposal of the moveable assets;
- ensure adequate management and control over the disposal process;
- ensure proper reporting on the disposal process;
- ensure that the Moveable Asset Register is properly updated after the disposal process;
- promote the Provincial Government’s broader social, economic and environmental policy objectives through disposal of the moveable assets; and
- to assist organisations and institutions in serving the poor and economically deprived by availing redundant assets for social upliftment.

5. REGULATORY FRAMEWORK

- The Constitution of South Africa Act, Act 108 of 1996.
- The Public Finance Management Act, Act 1 of 1999, as amended by Act 29 of 1999 (PFMA).

- Treasury Regulations, 2005.
- The Preferential Procurement Policy Framework Act, Act 5 of 2000 (PPPFA).
- The National Treasury Asset Management Learners Guide, 2004.
- The Provincial Asset Management Policy.
- Supply Chain Management Regulations.
- Asset Management Learners Guide.
- South African State Information Technology Agency (SITA) Procurement Policies and Procedure Document.
- Asset Management Guideline (April 2004).
- Asset Management Framework.

6. ROLES AND RESPONSIBILITIES

6.1 The Asset Management Unit (AMU)

- Identification and forwarding of information on obsolete, redundant and unserviceable moveable assets.
- Compiling, up keeping and updating of the database of the items to be disposed.
- Comparing the remaining useful life of a moveable asset with the remaining current condition and assess whether the moveable asset will remain in service until the estimated time.
- Ensuring proper management, control and safeguarding of moveable assets.
- List the items to be disposed of, including values, current conditions and
- Checking that goods to be disposed of do not contain material that is not intended for disposal.
- Ensure proper storage of all items that are to be disposed of.
- Manage collection of items to be disposed of in Components/Directorates/Offices to a central point.
- Disposal report must be reconciled with the Asset Register.

6.2 The Confirming Authority (CA)

- Is the person vested with powers to approve the disposal of assets recommended by the Disposal Committee and approved by the AO.
- The powers are vested with Provincial Treasury (Director Provincial Asset Management) or his/her delegate.
- The CA is responsible for evaluating and approving the recommendations of the Disposal Committee and approval of the AO.
- If the confirming authority is not satisfied with the recommendation of the Disposal Committee for any other reason whatsoever, the documentation must be referred back to the Chairperson for necessary adjustments or reconsiderations.
- The CA must see to it that the chairperson of the Disposal Committee have signed the Disposal Certificates before he/she approves the certificates.

6.3 The Departmental Disposal Committee

- The AO must appoint the Chairperson (at least on Deputy Director level) and at least three (3) additional members and a secretary (as well as the District Managers when disposal is done for District Office assets) to serve on the Departmental Disposal Committee in writing for a two (2) year period.(a quorum is 50% plus one)
- An asset manager from Provincial Treasury will attend all disposal committee meetings in an advisory capacity. No staff from Provincial Treasury Dir: Provincial Asset Management may be appointed as a member of any departmental disposal committee.
- Specialist can be co-opted to provide technical advise to the Disposal Committee as the need arises.
- Departmental Disposal Committee Meetings must be held on a quarterly basis.
- The Departmental Disposal Committee must meet to inspect each moveable asset, to determine whether it is redundant, obsolete or unserviceable before it is disposed.
- The Departmental Disposal Committee must recommend a method of disposal, which will be to the best advantage of the DRPW.
- The Chairperson of the departmental Disposal Committee must forward the recommendations for the disposal of moveable assets to the CFO for recommendation and to the AO for approval.
- After obtaining the approval of the AO, the Departmental Disposal Committee forward all documentation to Provincial Treasury (CA) for their approval and must then ensure that the asset(s) are disposed.

7. COMMON REASONS FOR DISPOSING OF MOVEABLE ASSETS

- When the moveable assets are redundant.
- When the moveable assets are obsolete i.e. technologically or operationally inefficient.
- When the moveable assets are unserviceable.
- Surplus to current or foreseeable needs.
- As part of the moveable asset replacement program.
- When the moveable assets are transferred to another department/institution.

8. PROCEDURES

The typical disposal process comprise of the following:

- Assess the condition of the moveable asset.
- Decide which movable assets are to be disposed.
- Estimate the market /net realisable value of the moveable asset to be disposed.

The following basic factors should be considered during the disposal process:

- Viewing of disposal assets by committee,
- Committee meeting.
- Select the appropriate disposal method.
- Obtain approval for the disposal process.
- Prepare for disposal.

- Establish conditions of disposal.
- Effect the disposal.
- Record the disposal proceedings.
- Evaluate the disposal process.
- Forwarding of disposed information to AMU for updating of the Movable Asset Registers.
- Record keeping of all documentation in disposal file/register for audit purposes.

8.1 Assessment of the Moveable Assets

Assessment of the moveable assets must be done before any disposal process takes place. The Asset and Disposal Management Unit shall be accountable for its decision to dispose of the moveable assets and shall document the decision to, and the reasons for, the disposing of moveable assets.

Asset Management Officials are responsible for identifying the moveable assets to be disposed of. The moveable assets can be identified during spot-checks, verifications and normal monitoring. Asset Inventory Holders can also identify the moveable assets to be disposed of. Once the moveable assets have been identified by the Asset Inventory Holders, the AMU must be informed in writing in order to forward a report to the AO for approval.

The approved report with the disposed list must be forwarded to the Disposal Committee for verification and validation during the disposal meeting.

8.2 Estimate the Value of the Asset

Treasury Regulation 16A7.1 of 2005 stipulates that the disposal of any movable assets should be at market related value or by way of price quotations, competitive bids or auction whichever is most advantageous to the state, unless determined otherwise by the relevant treasury.

It is therefore necessary that a valuation be conducted on any moveable asset prior to disposal to ensure compliance with the above Regulation, and to request the AO's approval should it not be deemed possible or advantageous to the state to dispose of the moveable asset at market-related value.

8.3 Methods of disposal

Notwithstanding the provisions of Treasury Regulation 16A7.1, AO may, according to Treasury Regulation 16A7.2, transfer the moveable assets free of charge to other departments, constitutional institutions or public entities by means of formal vouchers.

NOTE: It is important that the Department obtains the best possible return for the goods it sells, and the disposal must achieve best value for money. The decision to dispose of the moveable assets should not only be made with the principle aim of generating funds but should also be aimed at improving service delivery.

NOTE: Innovative disposal methods can be considered subject to compliance with relevant legislation and general SCM procurement policies.

8.3.1 Donations:

- Must be approved by AO
- Must be thoroughly motivated by:
 - a full description of the item
 - the value or estimated value of the donation
 - the reason/motivation/purpose for the donation
 - the full name and address of the person/entity to whom/which the donation is to be made

8.3.2 Sell by Public Auction:

- When this method is recommended a complete calculation of the disposal cost should be made and compared to the possible or expected proceeds so as to determine if it is financially viable to auction. If the auction proceeds a reserve price can be put on items.

8.3.3 Sell through bidding Process:

- When this method is recommended then the legal bidding process in supply chain management must be followed.

8.3.4 Bury:

- This method should be applied only when items are of such a nature that they will not cause contamination in the future.
- Specific care and arrangements must be made in terms of the area where the items will be buried and environmental impact must be taken into consideration.
- The cost implication, if any should also be considered.

8.3.5 Cannibalisation:

- Refers to the action where spare parts are taken from the disposed item to be used in similar items.
- Whenever applicable, technical reports should be obtained.
- The spare-parts must be taken on record as inventory items for future use.

8.3.6 Moveable Asset Transfers

- All the moveable assets received as a donation (Transfer In) by the DRPW should be registered in the Moveable Asset Register.
- The donated moveable asset will be recorded in the Moveable Asset Register at the current replacement value or market value.
- The AMU must allocate the DRPW number to the moveable asset and record the item on LOGIS before allocating the moveable asset to the chief user.

- When DRPW moveable assets are transferred to other government departments both AO's must sign the transfer letter when the transfer takes place.
- Documents for the transfer of the moveable assets should be completed by the AMU and signed by the CFO and the AO. The receiving department must also sign the documents in terms of Section 42 (2) of the PFMA.
- The moveable asset register must be updated by the AMU as soon as all the approval has been obtained.
- A copy of the signed transfer letter of the transferred moveable assets must be forwarded to the Provincial Treasury on the monthly DAMP Reports.

8.4 Preparing Goods for Disposal

The Department should check that goods to be disposed of do not contain material that is not intended for disposal. Neglecting to check may result in legal Liability and embarrassment to the Department.

8.5 Moveable Asset Transfers between Department and Entities

- If the moveable asset is transferred to another department that it will be removed from the records of the Department at the carrying value.
- Both the cost and accumulated depreciation shall be reversed out of the Moveable Asset Register.
- Where the moveable asset is transferred at no value or donated to the receiving Department , this treatment does not differ.
- If the moveable asset is transferred to a Public Entity that moveable asset will be removed from the records at the carrying value. Both the cost and accumulated depreciation shall be reversed out of the Moveable Asset Register.

8.6 Moveable Asset Disposal

- Not all the moveable assets are retained throughout their life and when they are sold or disposed of, gains or losses are inevitable. Gains or losses arising from the retirement or disposal of the moveable asset should be determined as the difference between the estimated net disposal proceeds and the carrying amount (net book value) of the moveable asset given up.
- For the purposes of disclosure in the financial statements, the gain or loss should be included in the statement of financial performance as an item of revenue or expense, as appropriate. If gains or losses on disposal of the moveable assets are significant enough, they shall be separately identified.
- The disposal of the moveable asset will require the removal of the carrying amount or book value of the moveable asset, which is the net result of two accounts, namely the Cost and Accumulated Depreciation accounts.
- The revenue arising from the disposal of moveable assets must be surrendered to the relevant Revenue Fund.

- A loss on disposal of a movable asset is recorded as an expenditure for the fiscal year as it represents insufficient depreciation over the useful life of the moveable asset or an over estimation of residual value of the moveable asset.

8.7 Conflict Of Interest

- Staff involved in disposal need to understand their responsibilities to disclose actual or perceived conflict of interest that may arise in the performance of their duties.
- In situation of conflict of such interest such an official should rescue himself/herself from the proceedings.

8.8 Post Disposal Review

It is imperative to ensure that the disposal of the Department 's moveable assets is not an end in itself. Review processes should therefore be undertaken to establish or identify causes where moveable assets are routinely not meeting the service life expectations or their estimated proceeds on disposal and also to establish whether the disposal process has resulted in the desired effects. This review should also establish whether disposal process did not affect service delivery.

8.9 The Disposal Report

- The disposal report must contain the following documents:
 - A management letter (covering letter) signed by all the disposal committee members and requesting the approval of the AO through his/her signature and date.
 - A disposal certificate signed by the chairperson of the disposal committee.
 - The schedules of the different types of disposed items i.e. obsolete, unserviceable, redundant and should be per category. (Annexure A, B or C)

8.9.1 The Moveable Disposal certificate:

- The names and ranks of disposal committee members must be reflected.
- A serial number commencing with 0001 on 1 April each financial year followed by the year, is allocated to each certificate
- This serial number is registered in numerical sequence in the moveable disposal register
- The schedules of disposed items must be attached to the certificate.
- The completed disposal report must be submitted to the Confirming Authority.
- The chairperson and committee members will arrange with the confirming authority for a suitable date for the physical disposal of the items.
- The confirming authority will complete the confirmation and sign it.

8.9.2 The Disposal Register

- Compile a separate Moveable Disposal Register with the following information:
 - Date on which disposal was requested

- Convening number starting at 0001 at beginning of each financial year
- Date of physical inspection by board
- Date when report and certificate was submitted to the confirming authority
- Initials of chairperson. To be initialed by chairperson of the disposal committee
- Actual date of physical disposal of item
- Total amount of proceeds from disposals and receipt number and date

9. MONITORING AND EVALUATION

The Office of the Chief Financial Officer shall evaluate the report of the Disposal Committee, which shall be prepared after each disposal. This report’s recommendations shall be assessed and implemented where deemed in the best interest of the Department. This shall take place no later than three months from the submission of the report by the Disposal Committee.

10. POLICY REVIEW

This policy shall be assessed every two(2) years from its effective date to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect substantial organizational changes required by law and regulations.

11. APPROVAL OF THE POLICY AND DATE OF EFFECT

Checked/Not Checked

Comments:

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