

# **INTSIKA YETHU LOCAL MUNICIPALITY**



## **ASSETS DISPOSAL POLICY 2022-2023**

## **INTSIKA YETHU Local Municipality Asset Disposal Policy**

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## **1. INTRODUCTION**

The purpose of the Asset Disposal Policy is to provide a framework for the disposal of the municipality's assets that are not needed to provide the minimum level of basic municipal services and that are surplus to the municipality's requirements.

Section 14 of the Municipal Finance Management Act (Act No. 56, 2003) states:

"A municipality may not transfer ownership as a result of a sale or other transaction, or otherwise permanently dispose of any capital asset needed to provide a minimum of basic municipal services.

A municipality may transfer ownership or otherwise dispose of a capital asset, other than an asset mentioned above, only after the disposal committee meeting:

- Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
- Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

## **2. OBJECTIVE**

The objective of the Asset disposal Policy is to:

- Ensure that only assets that do not provide the minimum level of basic municipal services are disposed of.
- Ensure that assets are not disposed when the disposal of the asset or the terms of the disposal of the asset could disadvantage the municipality or community financially or otherwise.
- Ensure that all disposal are, in terms of section 14(5) of the Municipal Finance Management Act (Act No. 56, 2003), fair, equitable transparent, competitive and consistent with the Supply chain Management Policy of the Municipality.
- To unlock capital or a revenue income stream from the disposal of the assets; • To ensure adequate management and control over the disposal process.
- To ensure proper reporting on the disposal process.
- To ensure that the Asset Register is properly updated after the disposal process.
- To promote Government/Province's broader social, economic and environmental policy objectives through disposal of assets.
- To assist organisations and institutions in servicing the poor and economically deprived by availing redundant assets for social upliftment.

## **3. SCOPE**

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

## **4. DEFINITIONS**

The following terms apply to this policy:

- **TREASURY REGULATION**

Regulations issued by National Treasury for the Departments, Trading entities, Constitutional institution and Public Entities dated March 2005.

**Treasury Regulations 16A3 Stipulates the following:**

16A3.1 That the Accounting Officer or Accounting Authority of an institution to which these regulations apply must develop and implement an effective and efficient supply chain management system in his or her institution for amongst others:

- a. The acquisition of goods and services; and
- b. The disposal and letting of state assets, including the disposal of goods no longer required.

16A3.2 a supply Chain Management Systems referred to in paragraph 16A3.1 must-

- (a) Be fair, equitable, transparent, competitive and cost effective;
- (b) Be consistent with the Preferential Procurement Policy Framework Act, 2000( Act no.5 of 2000 as amended by preferential procurement Regulations,2011)
  - a. Be consistent with the Broad Base Black Economic Empowerment Act, 2003 (Act no.53 of 2003); and
  - b. Provide for at least the following;-
    - i. Demand management
    - ii. Acquisition management
    - iii. Logistic management
    - iv. Disposal management
    - v. Risk management
    - vi. Regular assessment of supply chain performance

16A7 Disposal and letting of state assets

16A7.1 Disposal of movable assets must be at a market related value or by way of price quotation, competitive bids or auction, whichever is most advantageous to the state. Unless determined otherwise by relevant treasury

16A7.2 Notwithstanding the provisions of paragraph 16A7.1, The accounting Officers and the Accounting Authorities may transfer movable assets free of charge to other departments, constitutional institutions or public entities by means of formal vouchers.

16A7.7 The Accounting Officer or the Accounting Authority must, when disposing of computer equipment, firstly approach any state institution involved in education and / or training to determine whether such an institution requires such equipment. In the event of the computer equipment being required by such a state institution, the Accounting office or Accounting Authority may transfer such equipment free of charge to the identified institution.

**Treasury Regulation 10.1.1 and 10.1.2 state**

10.1.1 The Accounting Officer of an institution must take full responsibility and ensure that proper control systems exist for assets

10.1.2 The Accounting Officer must ensure that processes [whether manual or electronic] and procedures are in place for the effective, efficient, economical and transparent use of the Institution`s assets.

- **DISPOSAL**

Means the elimination of a movable asset, which includes obsolete, redundant and unserviceable assets, from the accounting records and Asset Register of the Municipality by means of approved and authorised procedures.

- **ASSET**

Is a resource owned and controlled by the Municipality as results of past events and from which current or future benefits are expected to flow to the Municipality.

- **ASSETS REGISTER**

A departmental database of all movable and immovable assets with values.

- **REDUNDANT ASSETS**

Items that are new, serviceable, old, out dated as results of new development/technology or repairable but are no longer required by the user. These items can still be used or distributed to other offices within the Municipality or to other Municipalities/Entities and other Departments within the Province.

- **OBSOLETE ASSETS**

Items that are too old and are of no further use by the Municipality and / or spares are not available anymore to repair such items, or items no longer in use elsewhere or items no longer suitable for the use they were originally purchased for.

- **UNSERVICEABLE ASSETS**

Items owing to normal wear and tear have become unfit for use and are no longer suitable for the use they were originally been purchased for or not safe to use or uneconomical to repair.

- **SERVICEABLE ASSETS**

Items those are still suitable for the purpose for which they were acquired for.

- **CIRCULATION**

Method of use to allow other Components/Directorates to acquire redundant assets within the Municipality.

- **COUNCIL**

Council means the Municipal Council of the INTSIKA YETHU Local Municipality, its legal successors in title and its delegates.

The Council shall establish a Disposal Committee. The Chairman of the Disposal committee must be a senior independent official in Supply Chain Management that is not in control of any assets.

- **CHAIRPERSON: DEPARTMENTAL DISPOSAL COMMITTEE.**

An official appointed in writing by the Accounting Officer or his/her delegate to act in the capacity as Chairperson of the Departmental Disposal Committee.

- **DEPARTMENTAL DISPOSAL COMMITTEE.**

Officials appointed in writing by the Accounting Officer or his/her delegate to act as members of the Departmental Disposal Committee.

- **CONFIRMING AUTHORITY.**

The Confirming Authority is vested with the Accounting Officer or his/her delegate to confirm the decisions taken by the Municipal Disposal Committee.

- **BUYER**

Individual who is buying during the selling processes of Municipality owned assets.

- **SELL BY QUOTATIONS/TENDER**

Method of selling other than an auction, whereby goods are sold on a quotation basis, adhering to SCM policy and regulations.

- **ACQUISITION OF ASSETS**

It refers to the acquisition of movable assets by means of purchasing, leasing, transfers in and donations.

- **MARKET VALUE**

Market value is defined as “the estimated amount for which an asset can be exchanged on the date of valuation between a willing buyer and willing seller.

- **FAIR VALUE**

The fair value of an asset is the amount obtainable from the sale of the asset in an arm`s length transaction between willing parties less the selling costs.

- **CARRYING AMOUNT**

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

- **SUBSTANTIVE ASSET VALUE**

This is the value that can be ascertained for an asset within an open market at any given time.

- **DEPRECIATION**

A method of allocating the cost of a tangible asset over its useful life.

- **ACCUMULATED DEPRECIATION**

The cumulative depreciation of an asset up to a single point in its life. The depreciation of an asset during a single period is added to the previous period's accumulated depreciation to get the current accumulated depreciation.

- **BASIC MUNICIPAL SERVICES**

Basic municipal service means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

## **5. KINDS OF MOVEABLE ASSETS MANAGED BY THE MUNICIPALITY**

The INTSIKA YETHU Local Municipality, manages the following kinds of assets applicable to this policy:

- Vehicles
- Furniture
- Computer Equipment
- Office Equipment
- Inventory and Consumables
- Other Machinery and Equipment

## **6. APPLICABLE LEGISLATION**

### **MUNICIPAL FINANCE MANAGEMENT ACT [Act 56 of 2003]**

The act seeks to promote transparency in the management of state resources.

## **TREASURY REGULATIONS**

Requires that disposal of movable assets must be at market-related value or by tender or auction, whichever is most advantageous to the state, unless determined otherwise by the relevant treasury.

## **BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT**

The act seeks to promote meaningful participation of black people within the Economy.

## **7. SUPPLY CHAIN MANAGEMENT FRAMEWORK/ GUIDE TO ACCOUNTING OFFICERS: SUPPLY CHAIN MANAGEMENT**

The framework seeks to regulate the management of acquisition, demand and disposal of assets.

## **ASSET MANAGEMENT GUIDELINES**

Seeks to ensure that assets are dealt with from a life Cycle perspective.

## **8. ROLEPLAYERS AND THEIR FUNCTIONS**

### **8.1 ASSET MANAGEMENT OFFICIALS**

- Identification and forwarding of information on obsolete, redundant and unserviceable assets.
- Compiling, up keeping and updating of the database of the items to be disposed.
- Comparing the remaining useful life of an asset with the remaining current condition and assess whether the asset will remain in service until the estimated time.
- Ensuring proper management, control and safeguarding of assets
- List the items to be disposed of, including values, current conditions and recommended disposal method.
- Compile a report on the potential impact on operations and budget for both disposing and keeping items.
- Completion of all relevant documents and condition reports before the disposal of items.
- 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.
- Compile a report regarding the replacement of the assets where considered necessary
- Report on a monthly basis of any obsolete, redundant and unserviceable / un-economical to maintain assets that need to be disposed of or have been disposed, to the Manager : Logistics Management and Disposals. Disposal report must be reconciled with the Asset Register.
- Liaise with the loss control section/ Asset Management Office to have an updated on assets lost which affects the disposal process.



## **8.2 ASSET DISPOSAL COMMITTEE**

### **8.2.1 APPOINTMENT & COMPOSITION OF THE DISPOSAL COMMITTEE**

- All member of the Disposal Committee inclusive of the Chairperson must be appointed in writing by the Accounting Officer or his/her delegate.
- The Municipality Disposal Committee shall consist of at least not less than 5 members and the Chairperson,
- Term of office for the Municipal Disposal Committee will be determined by the MM
- Members should have knowledge regarding various aspects of asset and asset management e.g. stocktaking, disposal, movement of items, history of equipment etc.
- The code of conduct for the Municipality disposal committee member shall be in accordance with the code of conduct and regulations and policy applicable to Supply chain management.

### **8.2.2 FUNCTIONS OF THE MUNICIPAL DISPOSAL COMMITTEE:**

- Objectively evaluate at all times the assets submitted for disposals and weigh disposal alternatives as per disposal procedure.
- Ensure assets to be disposed of are beyond reasonable doubt obsolete, redundant, un-repairable and unserviceable. In cases of unserviceable assets exceeding a book value of R5 000, certificate or quotation of un-serviceability/ un-economical to maintain must be attached to such assets.
- Ensure that assets which are to be disposed off and could represent a danger/threat to human beings are destroyed immediately. Recommendations with regard to the handling thereof, are to be clearly described.
- In the event of disposal of Information Technology equipment and furniture an approval will be sought from the Accounting officer for redistribution of such assets.
- No individual member of the disposal committee shall decide in isolation regarding the disposal of movable assets. Each member of the Disposal Committee shall satisfy him/herself that he/she concurs with the relevant recommendation. Should members not concur with the recommendation they are not to counter sign but are to submit their objection, per memo, to the Accounting officer or his/her delegate?
- Have knowledge of all stores and equipment.
- Be available on a regular basis to attend the Municipality Disposal Committee meetings
- Be willing to travel and sometimes sleep out
- Be sure of any needs that exist within the municipality for possible transfer of assets
- Confirm in writing their availability to the chairperson of the Committee

### **8.2.3 CHAIRPERSON OF THE DISPOSAL COMMITTEE AND HIS FUNCTIONS BEFORE AND AFTER THE DISPOSAL PROCESS.**

- The Chairperson of the Municipal Disposal Committee shall be a middle Manager by Rank.
- The Chairperson of the Municipal Committee shall appoint his/her deputy who will act as Chairperson in his/her absence.
- The Chairperson may, at any time, as per need, co-opt an additional member who possesses specialized knowledge in the relevant field for evaluation of specialized stores and equipment. { ad-hoc}

- Chairperson shall ensure that all the necessary forms i.e. store's disposal form, issue voucher form and disposal certificates of the assets to be disposed have been submitted and are in order
- Chairperson shall evaluate and register the Disposal Certificates in the Disposal Register.
- In consultation with the relevant office determine the date on which the disposal meeting will take place.
- Invite in writing any stakeholders i.e. Municipal Manager/his /her delegate, Asset Managers on assets to be disposed of
- Determine if the Municipal Disposal Committee forms a quorum.
- After the process of recommending by the Disposal Committee has been completed, the Chairperson must sign the disposal certificate.
- To ensure that the Disposal Certificates together with all relevant documentation are submitted to the Confirming Authority.
- The Chairperson on receipt of the approved/ confirmed Disposal Certificate must ensure that the listed assets are dealt with as per recommended and confirmed.
- All finalized Disposal Certificates must be filed accordingly indicating 'Disposal Certificates: Financial Year'.
- The original confirmed certificates as recommended and approved must be forwarded to the office who is custodians of assets disposed of.

### **8.2.3 ASSET DISPOSAL COMMITTEE MEETINGS**

- Municipal Disposal Committee will meet quarterly to evaluate assets earmarked for disposals. Special meetings will be called as and when necessary.
- The quorum for the Municipal Disposal Committee meeting will be ordinarily four members plus the Chairperson or his /her delegate.
- Detailed records of the activities of the Disposal Committee must be kept at all times. These records consists of at least, but not limited to:
  - Minutes
  - Attendance records and
  - Reasons for the recommendation / no- recommendations
- Members of the Disposal committee, co-opted officials and any other stakeholders should be informed in writing of the date and time of the disposal meeting a week before such by the Chairperson of the Departmental Disposal Committee.

### **8.3 CONFIRMING AUTHORITY**

- Is the person vested with powers to approve the disposal of assets recommended by the Disposal Committee
- The powers are vested with the Accounting Officer or his /her delegate.

#### **8.3.1 DUTIES OF THE CONFIRMING AUTHORITY**

- The Confirming Authority is responsible for evaluating and approving the recommendations of the Disposal Committee
- 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.

**NB:** The Confirming Authority may not re-delegate his/her functions as delegated by the Accounting Officer.

- Confirming Authority must see to it that the Chairperson of the Disposal Committee have signed the Disposal Certificates before he /she approves the certificates.

## **9. COMMON REASONS FOR DISPOSING OF ASSETS.**

- When assets are Redundant
- When assets are Obsolete i.e. technologically or operationally inefficient
- When assets are unserviceable
- Surplus to current or foreseeable needs
- Part of an asset replacement program
- When an asset is lost/stolen
- When assets are transferred to another department/institution

## **10. DEPRCIATION ON DISPOSAL**

- Depreciation is not calculated for the month in which an assets is disposed.

## **11. PROCESS OF ASSET DISPOSAL**

The typical disposal process comprises of the following:

- I. Assess the condition of assets
- II. Decide which assets are to be disposed
- III. Estimate the market/net realisable value of the asset to be disposed
- IV. Factors to consider in disposal
- V. Select the appropriate disposal method
- VI. Obtain approval for the disposal process
- VII. Prepare for disposal
- VIII. Establish conditions of disposal
- IX. Effect the disposal
- X. Record the disposal proceedings
- XI. Evaluate the disposal process

### **11.1 ASSESSMENT OF ASSETS**

Assessment of assets must be done before any disposal process takes place. The disposal Section in the Supply Chain Management Unit shall be accountable for its decision to dispose of assets and shall document the decision to, and the reasons for, the disposing of movable assets.

Assets Management Officials are responsible for identifying assets to be disposed off. These assets can be identified during spot-checks, stocktaking and normal monitoring. Assets inventory holders can also identify assets to be disposed off. Once these assets have been identified by the Asset inventory holders or Asset management Officials must be informed in writing in order to arrange for the Disposal Committee meeting to dispose of the identified assets.

A list of all assets eligible or awaiting disposal must be compiled by Asset Management units and the prescribed form must be filled in before the disposal meeting.

The list and the prescribed forms will be presented to the disposal committee for verification and validation during the disposal meeting.

### **11.2 Estimate Value of the Asset**

Treasury Regulation 10.2 stipulates that the disposal of assets should be at market-related value (or auction or tender/bid in the case of movable assets) unless the relevant Treasury approves otherwise.

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

### **11.3 Methods of disposal**

Treasury Regulation Par 16A7.1 provides 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.

Notwithstanding the provisions of {Par 16A7.1} of Treasury Regulations, the Accounting Officers may transfer movables assets free of charge to other departments, constitutional institutions or public entities by means of formal vouchers.

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

#### **11.3.1 Different methods to which assets can be disposed off:**

- Transfer to another institutions, Entity or Department free of charge.
- Selling per price quotation, competitive bid or auction
- Transfer to another institution free of charge [ approval of the accounting officer is needed]
- Sale by tender/auction
- Sale of items to staff
- Donation to charities or community, Non Profit Organizations
- Writing off the value of goods [recycling/scraping or destruction]

**NB.** Innovation disposal methods can be considered subject to compliance with relevant legislation and general Municipal procurement Policies.

**11.3.1.2 Disposal by means of selling per price quotation, competitive bid or auction or by means of an auction to all registered buyers.**

The public Bid/Auction process will be conducted in line with the Municipal Supply Chain Management Policy taking all the relevant applicable prescripts of SCM into account i.e. PPPFA, BBBEE etc.

For assets with a value of less than R 200 000, an advertisement inviting the public shall be placed in local boards, municipal website and wherever possible. No advertisement shall be placed in local newspaper as this won't be cost effective.

For assets with a value of more than R 200 000, an advertisement inviting the public shall be placed in local boards, website and local newspapers which are widely read in that specific area where the auction/sell by price quotation is to be held.

The closing date and time of the auction/sell by tender as well as the evaluation criteria to be used shall be clearly indicated in the advert.

All assets irrespective of the value shall be grouped together or individually in lots consisting of similar types of items or in manageable lots in order to afford prospective buyers to purchase one or more lots as they desire.

The lot number shall be clearly marked e.g. "lot number ...."

**Selling by means of price quotations.**

**Assets with a value of less than R 2 000**

- May be disposed of by inviting at least one quotation but not limited to
- Shall be sold to the highest bidder
- Items shall be grouped together or individually as a lot
- The lot number shall be clearly marked e.g. " lot number ..."
- Shall be sold in accordance with the conditions of sale.

**Assets with a value exceeding R 2 000 but not exceeding R 30 000**

- May disposed of by inviting three quotations
- Should it not be possible to obtain three quotations, the reasons shall be recorded and the quotations received recorded
- Shall be sold to the highest bidder
- Shall be sold in accordance with the conditions of sale

**Assets with a value exceeding R30 000 but not exceeding R200 000**

- May be disposed of by inviting three quotations
- Should it not be possible to obtain three quotations, the reasons shall be recorded and the quotations received recorded

- The goods shall be sold to the bidder who possesses valid tax clearance certificate
- PPPFA and its Regulations, and other applicable prescripts will be applied
- Shall be sold in accordance with the conditions of sale.

### **Selling by Public Auction**

- Assets with a value lower than R200 000, the municipal official shall conduct the auction
- Assets with a value of more than R200 000, an auctioneer shall be appointed to conduct the auction
- The acceptable bid will be indicated by the fall of the hammer of the person conducting the auction
- Assets can be withdrawn during the auction if the desired prices are not achieved
- For assets with a value of more than R30 000, PPPFA, and its Regulations and relevant applicable SCM Policy shall be applied and the goods will also be sold to the bidder who possesses valid tax clearance certificate.
- Goods shall be sold in accordance with the conditions of sale.

### **Competitive bids**

- Competitive bids shall be invited for all disposal of assets with a value exceeding R200 000
- The Supply Chain Management process shall be followed in this regard
- Shall be sold in accordance with the condition of sale

### **Conditions of Sale**

The Municipality shall, at any time, have the right to stop the quotation process, or to withdraw a lot, or lots, or part of a lot, without providing reasons.

The highest bidder shall be the buyer and the principles of PPPFA shall be applied. Should any dispute arise between two or more bidders/offers or between the municipality and one or more buyers, the lot or lots shall be put up again and re-quoted or the municipality may reserve the right to determine the buyer.

The officer who attends the auction or selling process on behalf of the municipality shall have the right, if necessary, to stop the process or to withdraw any lot or lots if satisfactory prices are not obtained.

Payment will be accepted by the municipal cashiers by means of cash or bank guaranteed cheques made out to the INTSIKA YETHU Local Municipality only, marked as non-transferrable within a day after the conclusion of the sale, and no exception will be allowed.

The municipality reserves the right to demand payment from a buyer once the offer has been accepted.

Goods are sold “VOETSTOOTS” and no claims will be considered by the municipality by virtue of incorrect description, quantity, inferior quality, condition, or any other ground whatsoever. No guarantees, warranties or any undertaking will be given by the municipality in this regard. Prospective buyers are therefore advised to inspect the lots or goods before an offer is made.

As soon as an offer has been accepted and the buyer has been informed, ownership and risk shall pass to the buyer and on complaints will be considered thereafter.

Receipts shall only be issued to buyers after all monies have been paid or cheques been cleared by the banks. Only after this procedure the goods may be removed by the buyers. If a buyer fails to pay for goods bought by him/her, these items remain the property of the INTSIKA YETHU Local Municipality and shall be sold at the next occasion.

The release of any goods purchased will only be given by the Municipality Representative upon submission of the Municipality’s sale receipt, in duplicate. The duplicate delivery note signed by the buyer or his representative, will be retained by the Municipality as proof of delivery.

All goods must be removed by the buyer in Total before/ within seven working days of the date of sales at his/her own risk and cost. If for a reason acceptable to the municipality he/she cannot remove the goods within prescribed time, seven working days , extension must be sought from the INTSIKA YETHU Local Municipality.

If the buyer fails to take possession of the goods within the time specified herein, the municipality has the right to, without further communication, confiscate and dispose of the goods as it may seems fit, without any reimbursement to the buyer.

The buyers may attend either personally or be represented to supervise the loading of their lot or lots, but it must be distinctly understood that no complaints will be entertained after each lot has been knocked down.

The municipality is under no obligation to provide assistance with the loading or removal of the goods purchased

Buyers, their representatives, workmen, vehicles and equipment, will be allowed on the municipal premises at their own risk only and the municipality assumes no responsibility for their safety or for the safety of their property.

#### **11.3.1.4 Disposal by means of donation**

The municipality may also consider donation assets to communities, charity organizations or nongovernmental organization when such organizations approach the municipality with request for redundant furniture, equipment etc

It is important to ensure that if such a method is decided upon; all organizations should be treated equitably without any form of preference.

A check shall be made to ensure that the community group/charity organisation etc is not a disguised business operation.

A check shall be made to ensure that the community group or charity organization is not a profit and that the intended use of the asset is non-commercial and non-profit.

It will be the responsibility of the charitable organization to remove assets donated from the municipality premises at no cost to the municipality.

All assets donated to the community or charitable organization must be removed in total within a week of the assets being donated. If for a reason acceptable to the municipality, the assets cannot be removed; further extension must be sought from the INTSIKA YETHU Local Municipality.

If the community or, charitable organization or NGO fails to take possession of the goods within the time specified herein, the Municipality has the right to, without further communication, confiscate and dispose of the goods as it may seem fit.

The Municipality is under no obligation to provide assistance with the loading or removal of the goods donated.

The representatives and workmen of the community, charitable organization or NGO, their vehicles and equipment, will be allowed on the Municipality premises at their own risk only and the Municipality assumes no responsibility for their safety or for the safety of their property.

Goods will be donated as "VOETSTOOTS" and no claims will be considered by the Municipality by virtue of incorrect description, quantity, inferior quality, condition, or any other ground whatsoever. No guarantees will be given in this regard.

#### **11.3.1.5 Disposal by means of Writing-Offs, Scrapping or Destruction**

The value of an asset may be written off and the assets recycled, scrapped or destructed if it is deemed:

- To have no value
- To be unserviceable or beyond economic repair
- That the disposal cost is higher than the likely return
- Assets stolen or lost
- Where a movable asset is reflected in the asset register but the item is physically missing due to a loss or theft, this shall be reported to the loss control officer
- The Loss Control Officer/Asset Management office or End-user shall report all thefts to the SAPS in an attempt to recover such assets
- The Loss Control Officer /Assets Management office shall record the lost /stolen asset in the loss control register together with the SAPS Case Number, where applicable
- The Loss Control Officer / Assets Management Office must submit a report recommending the write off of the asset concerned to the Disposal Committee for consideration. The Disposal Committee shall recommend the write off of the asset to the Accounting officer or his/her delegate for approval, both in the Asset Register and the accounting records



- The details of the assets so written off shall be reported in writing to the Budget, Reporting & Asset Manager together with the cost and net book value of those assets.
- If those assets lost or stolen were insured the insurance company shall be notified and that asset removed from the schedule of items insured.

When assets are written off, the carrying value amount or book value of the assets will be removed from the Asset Register.

## **12. PREPARING GOODS FOR DISPOSAL**

- The Municipality should check that goods to be disposed off do not contain material that is not intended for disposal. Neglecting to check may result in legal liability and embarrassment to the municipality.

### **Examples of materials that should be removed before disposal include:**

- Confidential documents
- Stationery-particularly printed and could be misused.
- Software-unauthorised transfer could breach licence agreements
- Classified information contained in hard or floppy disks etc
- Environmentally sensitive or hazardous store and Municipality logos ets form clothing and equipment.
- Records, files papers or whiteboards containing information which, if disclosed, could breach privacy, and or cause embarrassment or problems for the disposing Municipality.

## **13. UPDATING THE ASSET REGISTER**

- The Asset Register should be updated accordingly after every disposal process.
- All assets should be marked as recommended and confirmed/approved by the Confirming Authority in the Asset Register e.g. transfer/auctioned/scrapped/sold etc.
- Disposed Assets should be clearly identified in the Asset Register.
- In the Asset Register the cost price must be shown
- When an asset is transferred between entities, the asset should be removed from transferring entity`s asset register and recorded in the accepting entity`s asset register.

## **14. THE ACCOUNTING TREATMENT AFTER DISPOSAL OF ASSETS**

The following seeks to address the accounting treatment after disposal of a movable asset:

### **14.1 Assets no longer in use**

- A movable asset shall be written down to a value of one(1) rand if the assets is permanently withdrawn from use and no future economic benefits or service potential is expected from it.
- The asset shall remain at the value of one rand until the asset is disposal through one of the reasons identified.

#### **14.2 Assets beyond economical repair**

- Necessary maintenance to keep the asset in good working condition, which is significant (or “major”) and which is not carried out when required, may reduce the useful life of the asset, lower its disposal value at the end of its life, and or impair its functionality and reduce its output on a long term or permanent basis.
- Under these circumstances, on review of such assets where the indication is that the carrying amount is permanently affected, an impairment loss needs to be recognised.
- An impaired loss is the amount by which the carrying amount of an asset exceeds the total economic benefits or service potential that the municipality expects to recover from the continued use and ultimate disposal of the asset.

#### **14.3 Asset Transfers between Municipality and Entities**

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

#### **14.4 Asset Disposal**

- Not all 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 an asset should be determined as the difference between the estimated net disposal proceeds and the carrying amount (net book value) of the asset given up.
- For the purpose 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 assets are significant enough, they shall be separately identified.
- The disposal of the asset will require the removal of the carrying amount or book value of the asset, which is the net result of two accounts, namely the Cost and Accumulated Depreciation accounts.
- The revenue arising from the disposal of assets must be surrendered to the relevant revenue Fund
- A loss on disposal of a movable assets is recorded as expenditure for the fiscal year as it represents insufficient depreciation over the useful life of the asset or an over estimation of residual value of the asset.

#### **14.5 Assets Written Off**

- The disposal of the assets will require the removal of the carrying amount or book value of the asset in the asset register
- For the purposes of disclosure in the financial statement the loss should be included in the statement of financial performance as an expense. If the losses are significant enough, they shall be separately identified.

#### **15. 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 [s] should rescue himself/herself from the proceedings.

#### **16. POST DISPOSAL REVIEW**

It is imperative to ensure that the disposal of the municipality assets is not an end to itself.

Reviewed processes should therefore be undertaken to establish or identify causes where 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.

#### **17. COMPLIANCE WITH MFMA**

All transaction relating to disposal of moveable assets shall comply with MFMA.

#### **18. 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 interests of the municipality. This shall take place no later than three months from the submission of the report by the Disposal Committee.

#### **19. 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 organisational changes required by law and regulations.

#### **20. This policy will be effective from 01 July 2022**