



HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD

HGDA Farmers Market, Erf 2226, Portion 27 Ellerton Farm, Ixopo,

Tel:039 834 2470/ 039 834 1362



**HARRY GWALA DEVELOPMENT AGENCY
ASSET DISPOSAL POLICY 2022.2023**

Approved Date (Date of Board Meeting)	Resolution Number:
Effective Date:	Date of Review:
Signature of Accounting Officer:	

TABLE OF CONTENTS

ABBREVIATIONS

1. ABBREVIATION	2
2. INTRODUCTIONS	3
3. OBJECTIVE	3
4. SCOPE	4
5. DEFINITIONS	4-7
6. KINDS OF MOVABLE ASSETS MANAGED BY THE ENTITY	7
7. KINDS OF IMMOVABLE ASSETS MANAGED BY THE ENTITY	7
8. APPLICABLE LEGISLATION	7
9. RELATIONSHIP WITH OTHER POLICIES	7- 8
10. ROLE PLAYERS & FUNCTIONS	8-11
11. COMMON REASONS FOR DISPOSING OF ASSETS	11
12. DEPRECIATION ON DISPOSAL	11
13. PROCESS OF ASSET DISPOSAL	12-16
14. PREPARING GOODS FOR DISPOSAL	17
15. UPDATING ASSET REGISTER	17
16. ACCOUNTING TREATMENT AFTER DISPOSAL OF ASSETS	17-18
17. CALCULATION OF PROFIT & LOSS ON DISPOSAL	19
18. CONFLICT OF INTEREST	19
19. POST DISPOSAL REVIEW	19
20. COMPLIANCE WITH MFMA	20
21. MONITORING & EVALUATION	20

ABBREVIATIONS

HGDA	Harry Gwala Development Agency
AMP	Asset Management Plan
AO	Accounting Officer
ASB	Accounting Standards Board
ATR	Asset Transfer Regulations
CFO	Chief Finance Officer
DRC	Depreciated Replacement Cost
GRAP	Generally Recognised Accounting Practise
HOD	Head of Department
MDA	Municipal Demarcation Act (No. 27 of 1998)
MFMA	Municipal Finance Management Act (No. 56 of 2003)
CEO	Chief Executive Officer
MSA	Municipal Systems Act (No. 32 of 2000)
PPE	Property, Plant and Equipment
SCM	Supply Chain Management
VAT	Value Added Tax

1. INTRODUCTION

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

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

“A municipal entity 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 level of basic municipal services.

A municipal entity 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 objectives of the Asset Disposal Policy are 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 municipal entity or community financially or otherwise.
- Ensure that all disposals 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 Municipal entity; and
- Ensure that assets disposed of are updated in the Municipal entity's Asset Register timeously and accurately.
- 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 serving 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, land held for sale, 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 Regulation 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 System 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 Officer 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 Institutions assets.

➤ **DISPOSAL**

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

➤ **ASSET**

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

➤ **ASSET REGISTER**

municipal entity database of all movable and immovable assets with values.

➤ **REDUNDANT ASSETS**

Items that are new, serviceable, old, out dated as a result 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 municipal entity and other Departments within the Province.

➤ **OBSOLETE ASSETS**

Items that are too old and are of no further use by the municipal entity 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 Municipal entity.

➤ **Board**

Board means the board of directors of the Harry Gwala District, its legal successors in title and its delegates.

The Board 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: MUNICIPAL ENTITY 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.

➤ **MUNICIPAL ENTITY 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 Government 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.

➤ **CARRING 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.

5. KINDS OF MOVEABLE ASSETS MANAGED BY THE MUNICIPAL ENTITY

The Harry Gwala Development Agency, manages the following kinds of assets applicable to this policy:

- ✓ Vehicles
- ✓ Furniture
- ✓ Computer Equipment
- ✓ Office Equipment
- ✓ Inventory & Consumables
- ✓ Other Machinery & Equipment
- ✓ Tablets

6. KINDS OF IMMOVEABLE ASSETS MANAGED BY THE MUNICIPAL ENTITY

The Harry Gwala Development Agency, manages the following kinds of assets applicable to this policy:

- ✓ Land
- ✓ Municipal Entity Buildings

7. APPLICABLE LEGISLATION

- Guide to the Municipal Asset Transfer Regulations;
- Local Government Supply Chain Management Guidelines, National Treasury, 2005;
- Municipal Finance Management Act (No. 56 of 2003)
- Municipal Systems Act (No.32 of 2000); and
- Municipal transfer and disposal regulations, Government Gazette no.31346.

8. RELATIONSHIP WITH OTHER POLICIES

This policy needs to be read in conjunction with other relevant adopted policies of the Municipal entity, including the following:

- Accounting Policy;
- Asset Management Policy
- Supply Chain Management Policy
- Inventory Management Policy

9. ROLEPLAYERS & THEIR FUNCTIONS

9.1 ASSET MANAGEMENT OFFICIALS

- 9.1.1 Identification and forwarding of information on obsolete, redundant and unserviceable assets.
- 9.1.2 Compiling, up keeping and updating of the database of the items to be disposed.
- 9.1.3 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.
- 9.1.4 Ensuring proper management, control and safeguarding of assets.
- 9.1.5 List the items to be disposed of, including values, current conditions and recommended disposal method.
- 9.1.6 Checking that goods to be disposed of do not contain material that is not intended for disposal.
- 9.1.7 Ensure proper storage of all items that are to be disposed of.
- 9.1.8 Manage collection of items to be disposed of in Components/Directorates/Offices to a central point.
- 9.1.9

9.2 MUNICIPAL DISPOSAL COMMITTEE

9.2.1 APPOINTMENT & COMPOSITION OF THE DISPOSAL COMMITTEE

- 9.2.1.1 All members of the Disposal Committee inclusive of the Chairperson must be appointed in writing by the Accounting Officer or his/her delegate.
- 9.2.1.2 The Municipal Entity's Disposal Committee shall consist of at least not less than 4 members and the Chairperson,
- 9.2.1.3 Composition of the committee – at least one member must be from the Technical department while one member must be from the Asset Office/SCM Office and the Chairperson must be a manager by rank and the other two members will be chosen by Accounting Officer's discretion.
- 9.2.1.4 Term of Office for the municipal entity Disposal Committee will be determined by board
- 9.2.1.5 Members should have knowledge regarding various aspects of asset and asset management e.g. stocktaking, disposal, movement of items, history of equipment etc.
- 9.2.1.6 The code of conduct for the municipal entity disposal committee members shall be in accordance with the code of conduct and regulations and policy applicable to Supply Chain Management.

9.2.2 FUNCTIONS OF THE MUNICIPAL ENTITY DISPOSAL COMMITTEE:

- 9.2.2.1 Objectively evaluate at all times the assets submitted for disposals and weigh disposal alternatives as per disposal procedure.
- 9.2.2.2 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.

- 9.2.2.3 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.
- 9.2.2.4 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.
- 9.2.2.5 Be available on a regular basis to attend the municipal entity's Disposal Committee meetings.
- 9.2.2.6 Be willing to travel and sometimes sleep out.
- 9.2.2.7 Be sure of any needs that exist within the municipal entity for possible transfer of assets.
- 9.2.2.8 Confirm in writing their availability to the Chairperson of the Committee.

9.2.3 CHAIRPERSON OF THE DISPOSAL COMMITTEE & HIS FUNCTIONS BEFORE AND AFTER THE DISPOSAL PROCESS.

- 9.2.3.1 The Chairperson of the municipal entity Disposal Committee shall be a middle Manager by Rank.
- 9.2.3.2 The Chairperson of the municipal entity Committee shall appoint his/her deputy who will act as Chairperson in his/her absence.
- 9.2.3.3 The Chairperson may, at any time, as per need, co-opt an additional member who possesses specialized knowledge in the relevant field for the evaluation of specialized stores and equipment. { Ad-hoc }
- 9.2.3.4 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.
- 9.2.3.5 Chairperson shall ensure that a Disposal Register is maintained and signed off by him/her.
- 9.2.3.6 In consultation with the relevant Office determine the date on which the disposal meeting will take place.
- 9.2.3.7 Invite in writing any stakeholders i.e. Chief Executive Officer/ his /her delegate, Asset Managers on assets to be disposed of.
- 9.2.3.8 Determine if the municipal entity Disposal Committee forms a quorum.
- 9.2.3.9 After the process of recommending by the Disposal Committee has been completed, the Chairperson must sign the disposal certificate.
- 9.2.3.10 To ensure that the Disposal Certificates together with all relevant documentation are submitted to the Confirming Authority.
- 9.2.3.11 The Chairperson on receipt of the approved/confirmed Disposal Certificate must ensure that the listed assets are dealt with as per recommended and confirmed.
- 9.2.3.12 All finalized Disposal Certificates must be filed accordingly indicating "Disposal Certificates: Financial Year".
- 9.2.3.13 The original confirmed certificates as recommended and approved must be forwarded to the Office who is custodians of assets disposed of.

8.2.4 MUNICIPAL ENTITY DISPOSAL COMMITTEE MEETINGS

- 9.2.4.1 Municipal Entity Disposal Committee will meet quarterly to evaluate assets earmarked for disposals. Special meetings will be called as and when necessary.
- 9.2.4.2 The quorum for the municipal entity Disposal Committee meeting will be ordinarily four members plus the Chairperson or his/her delegate, but where all the other members can not avail themselves a quorum of two members plus the Chairperson or his/her delegate is considered to be a valid meeting.

9.2.4.3 Detailed records of the activities of the Disposal Committee must be kept at all times. These records should consists of at least, but not limited to:

- a. Minutes
- b. Attendance Records and
- c. Reasons for the recommendations/no-recommendations
- d. 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

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

8.3.1 DUTIES OF THE CONFIRMING AUTHORITY

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

9.3.1.2 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.

9.3.1.3 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.

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

10. DEPRECIATION ON DISPOSAL

➤ Depreciation is not calculated for the month in which an asset is disposed.

11. PROCESS OF ASSET DISPOSAL

The typical disposal process comprise of the following:

- ASSESS THE CONDITION OF ASSETS
- DECIDE WHICH ASSETS ARE TO BE DISPOSED
- ESTIMATE THE MARKET/ NET REALISABLE VALUE OF THE ASSET TO BE DISPOSED
- FACTORS TO CONSIDER IN DISPOSAL
- 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

11.1 Assessment of Assets

Assessment of assets must be done before any disposal process takes place.

The Asset Management Office 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.

Asset Management Officials are responsible for identifying assets to be disposed off. These assets can be identified during spot-checks, stocktaking and normal monitoring. Asset 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 movable assets free of charge to other departments, constitutional institutions or public entities by means of formal vouchers.

NB: It is important that the municipal entity 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 Institution, Entity or Department free of charge.
- Selling per price quotation, competitive bid or auction.
- Transfer to private Institution free of charge [Approval of the Accounting Officer is needed.]
- Sale by Tender/Auction
- Sales of items to staff.
- Donation to charities or community, Non Profit Organizations
- Writing Off the value of goods [recycling/scrapping or destruction]

NB. Innovative 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 R200 000, an advertisement inviting the public shall be placed in local boards and wherever possible. No advertisement shall be placed in local newspapers as this won't be cost effective.

For assets with a value of more than R200 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/erf Number”

Selling by means of price quotations.

Assets with a value of less than R2 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 R2 000 but not exceeding R30 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 a formal written quotation or by a tender
- ✓ Evaluation criteria should be clearly marked on the advert
- ✓ The goods shall be sold to the bidder who possesses valid tax clearance certificate and other relevant documents required by Supply Chain Processes
- ✓ All supply chain processes will be adhered to with regards to the formal written quotation or tender, should it not be possible reasons shall be recorded and taken to the Accounting Officer for approval
- ✓ Shall be sold in accordance with the conditions of sale.

Selling by Public Auction

- ✓ Assets with a value lower than R200 000, the municipal entity officials 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.
- ✓ 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 processes shall be followed in this regard.
- ✓ Shall be sold in accordance with the conditions of sale.

Conditions of Sale

The Municipal Entity 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 should any dispute arise between two or more bidders/offers or between the municipal entity and one or more buyers, the lot or lots shall be put up again and re-quoted or the municipal entity may reserve the right to determine the buyer.

The officer who attends the auction or selling process on behalf of the municipal entity 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 Harry Gwala Development Agency only, marked as non-transferrable within a day after the conclusion of the sale, and no exceptions will be allowed.

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

As soon as an offer has been accepted and the buyer has been informed, ownership and risk shall pass to the buyer and no 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, these items remain the property of Harry Gwala Development Agency and shall be sold at the next occasion.

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

All goods must be removed by the buyer in Total before / within seven working days of the date of the sale at his/her own risk and cost. If for a reason acceptable to the municipal entity he/she cannot remove the goods within the prescribed time, seven working days, extension must be sought from the Harry Gwala Development Agency.

If the buyer fails to take possession of the goods within the time specified herein, the Municipal entity has the right to, without further communication, confiscate and dispose of the goods as it may seem 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 municipal entity 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 municipal entity assumes no responsibility for their safety or for the safety of their property.

11.3.1.4 Disposal by means of donation

The municipal entity may also consider donating assets to communities, charity organizations or nongovernmental organization when such organizations approach the municipal entity 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 organisation 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 municipal entity premises at no cost to the municipal entity.

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 Municipal entity, the assets cannot be removed; further extension must be sought from the Harry Gwala Development Agency.

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

The municipal entity 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 municipal Entity premises at their own risk only and the municipal entity assumes no responsibility for their safety or for the safety of their property.

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

The value of an asset may be written off and the asset 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 Asset Management Office.
 - The Asset Management Office or End –User shall report all thefts to the South African Police Service in an attempt to recover such assets.
 - The Asset Management Office shall record the lost/stolen asset in the Loss Control Register together with the SAPS case number, where applicable. Where a Loss Control Register is non-existent, one shall be created.
 - The Asset 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 Senior Manager: Asset Management 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 Municipal entity 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 Municipal entity.

Examples of materials that should be removed before disposal include;

- ❖ Confidential documents
- ❖ Stationery-particularly printed & could be misused.
- ❖ Software-unauthorized transfer could breach licence agreements.
- ❖ Classified information contained in hard disks etc
- ❖ Environmentally sensitive or hazardous store and municipal entity Logos etc from 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 Municipal entity.

13. UPDATING THE ASSET REGISTER

- a. The Asset Register should be updated accordingly after every disposal process.
- b. 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.
- c. Disposed Assets should be clearly identified in the Asset Register.
- d. In the Asset Register the cost price must be shown.
- e. 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

- 14.1.1 A movable asset shall be written down to a value of one (1) rand if the asset is permanently withdrawn from use and no future economic benefits or service potential is expected from it.
- 14.1.2 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

- 14.2.1 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.
- 14.2.2 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.
- 14.2.3 An impairment loss is the amount by which the carrying amount of an asset exceeds the total economic benefits or service potential that the municipal entity expects to recover from the continued use and ultimate disposal of the asset.

14.3 Asset Transfers between municipal entity and Entities

- 14.3.1 If an asset is transferred to another department that asset will be removed from the records of the Municipal entity at the carrying value.
- 14.3.2 Both the cost and accumulated depreciation shall be reversed out of the Asset Register.
- 14.3.3 Where the asset is transferred at “no value” or “donated” to the receiving Municipal entity, this treatment does not differ.
- 14.3.4 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

- 14.4.1 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.
- 14.4.2 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 assets are significant enough, they shall be separately identified.
- 14.4.3 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.
- 14.4.4 The revenue arising from the disposal of assets must be surrendered to the relevant Revenue Fund.
- 14.4.5 A loss on disposal of a movable asset 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

- 14.5.1 The disposal of the asset will require the removal of the carrying amount or book value of the asset in the asset register.
- 14.5.2 For the purposes of disclosure in the financial statements, 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. CALCULATION OF PROFIT AND LOSS ON DISPOSAL

Gain on disposal of asset (if proceeds are greater than carrying value)

Asset (cost)		Accumulated depreciation	
	Profit / loss xx	Profit / loss xx	
Profit / Loss		Bank / Debtors	
Asset (cost) xx	Acc. Depr. xx	Profit / loss xx	
Gain (P/L) xx	Bank xx		

Loss on disposal of asset (if proceeds are less than carrying value)

Asset (cost)		Accumulated depreciation	
	Profit / loss xx	Profit / loss xx	
Profit / Loss		Bank / Debtors	
Asset (cost) xx	Acc. Depr. xx		Profit / loss xx
Bank xx	Loss (P/L) xx		

16. 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.

17. POST DISPOSAL REVIEW

It is imperative to ensure that the disposal of the municipal entity assets is not an end in itself.

Review 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.

18. COMPLIANCE WITH MFMA

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

19. 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 Municipal entity. This shall take place no later than three months from the submission of the report by the Disposal Committee.

20. POLICY REVIEW

This policy shall be annually 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.

21. POLICY IMPLEMENTATION

Procedures should be prepared and adopted by the AO, in consultation with the CFO and HOD(SO)s, to give effect to this policy.

22. EFFECTIVE DATE

The asset disposal policy should come into effect as from the date of approval.