



NONGOMA LOCAL MUNICIPALITY

ASSET DISPOSAL POLICY

TABLE OF CONTENTS

1.	Interpretations.....	2
2.	Introduction.....	2
3.	Background.....	2
4.	Objectives.....	2
5.	Legal framework.....	2
6.	Scope of application.....	3
7.	Disposal Principles.....	3
8.	Appointment of Disposal Committee.....	4
9.	Asset Disposal Management Processes.....	5
10.	Municipal Vehicles	6
11.	Land and Buildings	6
12.	Leased Assets.....	6
13.	Disclosure in Annual Financial Statements.....	6
14.	Documentation.....	6
15.	Implementation Date.....	7

1. INTERPRETATIONS

Unless stated otherwise, the meanings of the following words should be taken as given below:

- “**Bid**” means to offer a certain price
- “**Decommission**” means to close down; to take out of service
- “**Default**” means failure to act or perform in some way
- “**Deficient**” means not having enough of a special quality
- “**Dispose**” means to get rid of
- “**Hard cat**” is an electronic system of managing assets
- “**Obsolete**” means disused; discarded
- “**Scrapping**” means to discard as worthless
- “**Useful life**” means the period over which the depreciable asset is expected to yield economic benefits to the organization.
- “**Unserviceable**” means useless, unusable
- “**Worn-out**” means damaged by use or wear

2. INTRODUCTION

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

3. BACKGROUND

The review of the Asset Management function as per Asset Management Improvement Plan (AMIP) and the introduction of Supply Chain Management (SCM) have necessitated the development of the Municipality’s Asset Disposal Policy. The intention of the policy is to provide managers with an enabling mechanism for the effective disposal of assets.

4. OBJECTIVES

The policy aims to ensure that:

- there is transparent, efficient, effective and economical disposal of assets;
- the disposal of assets is aligned to the Municipality’s asset acquisition plan and procurement plan; and
- the prime objectives of service delivery in the Municipality are achieved at the optimum level of investment.

5. LEGAL FRAMEWORK

- Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- Treasury Regulations
- Practice Note Number 006
- Supply Chain Management (SCM) Principles

- Accounting Standards
- Transport Policy.
- Asset Management Policy

6. SCOPE OF APPLICATION

This policy applies to the Head of Departments of the Municipality.

7. DISPOSAL PRINCIPLES

Disposal of capital assets

An asset shall be transferred or disposed of only after the approval of the council has been received (s14 of the MFMA)..

Internal Transfer of Assets

When an asset has to be moved from one location to another, be it from one room to another or one building to another, the affected Asset Controller must inform asset management of the intended move and the responsibility manager must complete the Fixed Asset form for Transfers. The information on the form will be captured onto the system. Inventory Registers have to be updated with the transfer within 2 days of transfer.

External Transfers of Assets

When an Asset is transferred from one Municipality to another, the two Accounting Officers must sign a Handing over certificate. The asset retains its bar-code. The transferring Municipality only disposes the asset on the Asset Register. The Fixed Asset Form for disposals is completed and the Asset is disposed of at its carrying amount. The details of the receiving Municipality are recorded in the reference field on the Disposal form. The receiving Municipality takes on the asset onto the Asset Register at the carrying amount with the same bar -code.

Section 14 of the MFMA prescribes that “The Council or the Accounting Officer for the transferring department must file a copy of the signed inventory with the relevant treasury and the Auditor-General within 14 days of the transfer.” Asset Management facilitates this process.

Human Resource and Asset Accountability

For each and every asset that is recorded on the Asset Register, there is an employee who is both the user and a custodian of the asset. At certain intervals, at least once a year, the Asset Manager must print an Asset Report in the custodian order. The asset report must then be sent to all custodians so they can sign on the relevant pages to indicate their accountability for the assets allocated to and used by them. All assets of the municipality must therefore be accounted for.

Asset Managers must therefore be fully aware of any newly appointed or exited employees. A Payroll report of all appointments and exiting of employees must therefore be drawn per

month and be reconciled to Asset Register. In this way the Asset Manager will be ensuring that all assets are accounted for and reassigned to a new custodian when an official terminates. As part of the normal termination procedures as well as asset management principle, all responsibility persons and supervisors must be aware of the Debt Clearance Form and the impact that missing assets will have on retirement or resignation benefits.

8. APPOINTMENT, ROLES AND RESPONSIBILITIES OF A DISPOSAL COMMITTEE.

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

The membership of the Disposal Committee shall be constituted as follows:

- Head of Disposing Institution or Office
- Officer from SCM
- Officer from Financial Services, Information Technology, Management and Advisory Services.

The officer from SCM will serve as the Secretariat.

The asset Disposal Committee shall replace the Board of Survey. Hence the procedure for the recommendations of this committee shall be communicated to the Asset Controller who must guide the disposal process.

The Roles and Responsibilities of the Disposal Committee shall be:

- To report on surpluses, deficiencies, redundant, damaged or unserviceable assets;
- To determine the causes of the above abnormal situations.
- To determine whether Loss Control Procedures have been followed in respect of loss, damages, error, negligence, fraud and theft.
- To determine the disposal method of the asset.
- To call upon an officer to provide a statement where it is deemed necessary to arrive at an appropriate conclusion

When the Accounting Officer has approved the recommendations of the Disposal committee, the following disposal methods will apply:

- Transfer to another institution in terms of Section 14 of the MFMA;
- Transfer to another institution at market related value;
- Donation
- Selling per quotation, competitive bid or auction
- Destroying the assets.

Asset Management shall keep all records of the activities of the Disposal Committee in a secured environment.

9. ASSET DISPOSAL MANAGEMENT PROCESSES

9.1 Physical Verification of all Assets

Physical verification of assets will be conducted biannually. It will be reflected in the Municipality's Operations and Maintenance Plan. During the regular physical verification of assets, Asset Management will assess the physical condition of all assets and verify their existence and location. A schedule of all assets that are identified as disposable will be drawn and attached to the Physical Verification Report. These assets will be placed together in a secured and suitable warehouse for further inspection.

9.2 Physical Inspection of Disposable Assets

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

Asset Management will therefore compare the status of each disposable asset as per data on the physical verification report with data on the Asset Register. IT services will, upon a formal request by Asset Management, prepare a technical report on the Labor Saving Devices (IT related Equipment) whose useful lives are finished. This report will be attached to the Disposal Committee Report for submission to the Accounting Officer.

9.3 Meeting of the Disposal Committee

Asset Management will ensure that the meeting of the Disposal Committee happens within 14 days of the completion of the physical inspection of disposable assets and the availability of a technical report. The meeting will finalize and formalize the recommendations as per roles and responsibilities of the committee specified in paragraph 7 above.

9.4 Submission of Recommendations to the Accounting Officer

Asset Manager will submit to the Accounting Officer a request for the approval of the disposal of the assets within 7 days of the sitting of the Disposal Committee. This submission will include the management plan for the final disposal activities.

9.5 Derecognizing of assets from the Asset Management Records

Assets will be derecognized from the Asset Register within 2 days of the receipt of the approval of the disposal. This process entails completion of the Asset Disposal Form and updating the Asset Register. Inventory Registers will be updated accordingly within 2 working days of the decommissioning of the asset for disposal.

9.6 Notice of the Disposal of Asset

A detailed departmental circular will be sent to all levels of the Municipality informing them of the disposal of assets. This will happen within 2 days of the approval of the circular.

9.7 Awarding of Assets

Assets will be awarded within 30 days of the circulation of the notice of disposal. Assets will be awarded to the applicants as per written applications and on a first- come- first serve basis. Schools will be granted the first opportunity in respect of furniture and equipment and will be considered on a first-come first-serve basis. Awarded assets will have to be collected “voetstoots” within 7 days of the award.

10. STATE VEHICLES AND SUBSIDIZED VEHICLES

However, a vehicle whose useful life is finished will be kept safely on the municipal’s premises until all necessary internal controls have been put in place for removal of the asset to the disposal site.

11. LAND AND BUILDINGS

Municipality’s land and buildings will be disposed in terms of this policy.

12. LEASED ASSETS

Leased assets will be removed from the municipality records upon the expiry of the contract except in special circumstances that must be explained fully.

13. DISCLOSURE IN ANNUAL FINANCIAL STATEMENTS

Disposal of an asset will be disclosed at the carrying amount in the year of disposal.

14. DOCUMENTATION

The following Annexure may be necessary for the implementation of the policy on Asset Disposal: -

- Asset Depreciation Rate Document
- Categories of Assets
- Disposal Plan
- Loss & Theft Register
- Donations Register
- Asset Hand-Over Certificate
- Disposal Committee Schedule
- Disposal Recommendations Schedule
- Business processes for Disposals

15. COUNCIL APPROVAL

This policy has been approved by the council on: 31 May 2010.