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**Department:**  
**Public Works; Roads and Transport**  
North West Provincial Government  
Republic of South Africa

## **SUPPLY CHAIN MANAGEMENT POLICY**

**POLICY NO.:** SCM2008/004  
**NAME OF POLICY:** MANAGEMENT OF SUPPLY CHAIN DISPOSAL

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## PREAMBLE

Given the materiality of the Department's assets, and the decentralised locations of these assets, coupled with the high risk of theft and limited funds for replacement, it is imperative that assets are well managed and controlled. To this end, the Department shall establish a rigorous asset acquisition, management and disposal process and maintain a proper asset register, to adequately safeguard all assets against theft, misappropriation, negligence and obsolescence and to ensure that there is prompt management reporting in this regard.

## 1. DEFINITIONS AND ABBREVIATIONS

For the purposes of this policy, the following definitions apply:

<b>Accounting Officer:</b>	Department of <b>Public Works Roads and Transport</b> , as defined in Section 36 of the PFMA.
<b>Executive authority:</b>	the MEC for the North West Department of <b>Public Works Roads and Transport</b> .
<b>Board of survey:</b>	disposal committees appointed by the Accounting Officer responsible for asset/inventory losses or damages and recommending appropriate disposal methods.
<b>Obsolete:</b>	outdated assets that can no longer be used by the Department.
<b>Redundant:</b>	moveable assets that are new, serviceable or repairable but no longer needed since they have been replaced by something else.
<b>Unserviceable asset:</b>	an asset that, owing to normal wear and tear, has become useless and cannot be restored to a condition where it can be utilised for the purpose for which it was originally obtained.

## 2. PURPOSE AND OBJECTIVES

The purpose of this policy is to articulate the departmental guidelines regarding the management, administration and control of the disposal of movable departmental assets and should be read in conjunction with the departmental policy on the Administration and Management of Fixed Assets.

## 3. PRINCIPLES

### 3.1 General

All movable assets purchased from any funds under the Department's control shall be disposed of in accordance with this policy. The disposal process shall be controlled through the departmental Board of Survey. Decisions to dispose of items shall not be made with the principle aim of generating funds. Once a decision to dispose of an item has been taken, priority shall be given to retaining the item within the public domain and with this view it will be offered first, by exchange, gift or sale, to other State institutions. Subject to these requirements North West Provincial Departments shall be considered before any other interested individuals or organisations.

All monies received for the sale of movable assets must be paid into the Provincial Revenue Fund in terms of Sections 21(2) and 21(1) of the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999).

All assets identified as redundant, obsolete and/or unserviceable shall be reported by the Asset Manager to the Chief Financial Officer. The report shall detail:

- (a) a full description of the asset
- (b) the barcode
- (c) office number or location of the asset
- (d) the condition of the asset
- (e) a reason or cause for the obsolescence or redundancy.

The disposal shall be recommended by the Board of Survey and shall consider the following:

- (a) The disposal of movable assets must be at market-related value or by tender or auction, whichever is most advantageous to the Department.
- (b) Any sale of immovable property must be at market-related value.
- (c) When movable assets are written off, this must be noted in the asset register.
- (d) Subsidiary ledgers, including inventory cards and records relating to assets no longer held or liabilities that have been discharged, can be disposed of after 5 years.

The disposal of assets shall be approved by the Accounting Officer or his/her delegate.

The Accounting Officer shall ensure that Treasury Regulations 10.2.1 and 10.2.2, as well as Section 76 (1)(k) of the Public Finance Management Act are complied with prior to granting approval for the disposal or write-off of an asset.

### **3.2 The Board of Survey**

#### **(a) Function**

The Board shall be appointed by the Accounting Officer to manage, among others, the disposal of assets. The Board shall consider the recommendations for disposal and asset losses and make recommendations to the Accounting Officer regarding disposal or write-off of the asset(s) in question.

The Board shall ensure that:

- i. adequate details on the assets to be considered for disposal are submitted.
- ii. appropriate and duly authorised motivation has been submitted.
- iii. the decisions/recommendations are justified and valid and appropriately substantiated.
- iv. the decision making process was fair, consistent and correctly applied.
- v. the following was taken into account:
  - the assets recommended for write-off were indeed damaged or lost
  - all disposal alternatives were considered
  - all replacement alternatives have been considered.

(b) **Composition**

i. **Head Office**

The members of the Board shall be appointed in writing by the Accounting Officer, who shall also determine the term of office. The Board shall consist of at least four senior officials and be constituted as follows:

**The Chairperson**

Where possible, the chairperson shall be the Chief Financial Officer.

**Vice-Chairperson**

The vice-chairperson shall be at least a member of the senior management service (at a level 13).

**Other Members**

The other members shall be selected across functions and shall comprise senior officials of whom at least one shall represent the Asset Management component within the Supply Chain Management Directorate.

**Secretariat**

An official shall be made available to perform the secretarial duties.

**Secundi**

The Accounting Officer may appoint *secundi* to temporarily replace members that are absent from meetings due to illness, leave etc. The *secundi* shall have the same powers as the members.

ii. **District Office**

The members of the district office disposal committees shall be appointed in writing by the Accounting Officer, who shall also determine the term of office. The committee consists of four members and is chaired by the relevant deputy director.

(c) **Decision Making**

The Board shall only consider recommendations if at least sixty percent (60%) of its members are present. All decision-making by the Board and district disposal committees shall be in accordance with departmental delegations of authority.

**4. LEGISLATIVE FRAMEWORK**

**4.1. Legislation**

- (a) Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999)
- (b) Treasury Regulations (March 2005)
- (c) Broad Based Black Economic Empowerment Act, 53 of 2003
- (d) Government Immovable Asset Management Act, 19 of 2007
- (e) Asset Management Guideline – January 2002 Version 1 – National Treasury
- (f) North West Fixed Assets Provincial Guidelines and Procedures

**4.2. Departmental**

- (a) Financial Management Delegations of Authority
- (b) Supply Chain Management Delegations of Authority

## 5. SCOPE OF APPLICATION

This policy applies to all departmental employees, learnership participants, interns; and the members of the Board of Survey and district disposal committees in particular.

## 6. PROCEDURAL GUIDELINES

### 6.1 Methods of Disposal of Immovable Assets

A surplus movable asset may be disposed of:

- (a) by the allocation of that immovable asset to another user (a national or provincial department).
- (b) subject to the State Land Disposal Act, 48 of 1961, and any provincial land administration law, by the sale, lease, exchange or donation of that immovable asset or the surrender of a lease.

### 6.2 Methods of Disposal of Movable Assets

The decision as to which method of disposal is most appropriate rests with the Board of Survey, subject to the final approval of the Accounting Officer. It is however suggested that, where computer equipment is to be disposed of, the North West Department of Education be approached to make arrangements for free transfer of such assets to educational institutions.

Further, firearms may not be sold or donated to any person or institution within or outside the Republic of South Africa without the prior approval of the National Arms Control Committee. The contact address is:

Directorate: Conventional Arms Control  
Defence Secretariat  
Department of Defence  
Private Bag X910  
PRETORIA  
001

Tel. No. (012) 355 6223  
Fax. No. (012) 355 6274

The options for disposal of movable assets are as follows:

#### (a) Transfer to another Institution in Terms of Section 42 of the PFMA

Section 42 of the PFMA deals with the transfer of assets (and liabilities) to another department or institution in terms of legislation or following a reorganisation of functions.

This method of disposal is selected by default in the event of changes in legislation or reorganisation of functions.

The responsibility in the Department for each requirement, (pertaining to movable assets), listed in Section 42 of the PFMA is indicated in the following table:

Requirement	Responsibility
Draw up an inventory list of such affected assets.	The Supply Chain Management Directorate.
Provide the Accounting Officer for the receiving department with substantiating documentation.	The Supply Chain Management Directorate.

Requirement	Responsibility
<i>[Substantiating documentation is defined as documentary proof used/required to update a departmental asset register.]</i>	
Sign the inventory list on behalf of the Department.	Accounting Officer
File copy of the signed inventory list with the Provincial Treasury and the Office of the Auditor General.	Head of the Supply Chain Management Directorate

**(b) Transfer to Another Institution at Market-related Value**

This method entails transferring the movable asset to another state institution at market related value. Market related value is the Rand value to be received from a third party at arms length in the open market.

**(c) Transfer to Another Institution Free of Charge**

This method entails transferring the movable asset to another state institution free of charge. Should this method be chosen, the reasons for disposing of the asset free of charge shall be recorded and motivated by the Board of Survey and specifically approved by the Accounting Officer. The best interest of the State should be the deciding factor in all such cases.

**(d) Selling Price Quotation / Competitive Bid**

Under this method, advertisements are placed in at least two local newspapers. The advertisement should provide for sufficient detail to elicit meaningful response from prospective bidders. Items should be available for inspection.

Factors to be considered when deciding whether to offer the goods for tender include:

- i. The value of the asset to be disposed of
- ii. The age of the equipment
- iii. The general attractiveness to the wider group of buyers
- iv. The prospect of increasing the net sale value compared to an alternate method of sale.

**(e) Selling per Auction**

Factors to be considered when deciding whether to offer the goods for auction include:

- i. The items are valued at less than the cost of disposing of the goods through bids
- ii. The items have been unsuccessful at price quotation / competitive bidding
- iii. It is reasonable to believe the item will not attract bids.

The Adjudicating Committee shall recommend an independent auctioneer for approval by the Accounting Officer. Once the approval has been obtained, a service level agreement between the Department and the auctioneer shall be signed detailing the specific arrangements.

**(f) Scrapping / Destroying Assets**

Scrapping of assets is undertaken when it is considered uneconomical to proceed with disposal by any other means. Scrapping may be appropriate for items that no longer have a sale value.

**Special Note:**

*Vehicles involved in accidents and/or deregistered cannot, under any circumstance, be re-registered.*

*Vehicles with registration numbers that have been tampered with may not, under any circumstance, be sold.*

The Supply Chain Management Directorate shall be responsible for ensuring that assets identified for scrapping meet the defined criteria and for destroying scrapped movable assets.

Movable assets identified as hazardous by the Directorate should be disposed of in such a manner as to satisfy the requirements of the relevant acts, regulations and municipal by-laws.

**(g) Trading In**

If appropriate, store (inventory) items or assets may be traded in on purchase of new store (inventory) items or assets. In such cases, the highest possible trade-in price is to be negotiated with the preferred supplier by the Supply Chain Management Directorate.

Details of the trade shall be noted on the purchase requisition, which must be prepared for the new item purchased. The order placed shall be for the net amount, as charged against the vote. The actual value of the new item shall, however, be reflected on the relevant asset/inventory register.

**(h) Salvage**

Some movable assets identified for disposal may have reusable components and the Department may arrange for removal of these prior to the application of another method of disposal. Alternatively, some items may no longer be functional and may be held for spare parts. In these cases, such assets shall be correctly accounted for (in the departmental asset register) until being utilised.

### **6.3 Disposal Process**

**(a) Identification**

Cost centre managers are responsible for the identification of unserviceable, redundant or obsolete (disposable) movable assets within their cost centres. Once disposable movable assets have been identified, the relevant cost centre manager shall notify, in writing, the Asset Manager within the Supply Chain Management Directorate.

The Asset Manager shall be responsible for the compilation of a listing consisting of the movable assets identified for disposal. The listing shall include at least the following:

- i. Description of items
- ii. Quantities of homogenous items, if applicable
- iii. Applicable cost centre(s)
- iv. Original cost price, if available
- v. Age of asset.

The relevant cost centre manager shall sign the list to certify the list as accurate and complete.

The Supply Chain Management Directorate is responsible for the safeguarding of "listed" disposable movable assets.

**(b) Valuation**

It is the responsibility of the Supply Chain Management Directorate to determine the market value of an item, which is to be disposed of, by professional valuation or other means. Valuation of the disposable items shall be performed by or under the control of the Supply Chain Management Directorate. Once valued, the list shall be updated to reflect the valuation value.

The method of valuation to be used and the decision to value items on an item by item basis or in groups of homogenous items shall be decided/approved by the CFO. Reasons for decisions taken shall be recorded and working papers used during the valuation must be retained for audit purposes.



The updated list and calculation of market value, with documentation if appropriate, shall be provided to the Board of Survey prior to the evaluation.

**(c) Expression of Interest**

In order to facilitate the reuse of movable property, expression of interest is the preferred method of disposal for movable assets. The Board of Survey must attempt to dispose of movable assets by this method before resorting to any other method, (unless the disposal is regulated by Section 42 of the PFMA), as it ensures that movable assets suitable for redeployment are offered firstly to other departmental structures and secondly any other provincial department.

The Supply Chain Management Directorate is responsible for arranging a platform within the Department and to communicate with other Supply Chain Management components of North West provincial departments to enable the expression of an interest by such parties. An expression of interest platform is valid for a period of five working days. The closing date shall be indicated on the advertisement.

Once an expression of interest has been received, the Board of Survey shall evaluate the circumstances and decide which method of transfer (sale at market related prices or free of charge) is to be used.

**(d) Evaluation**

The Board of Survey is responsible for the evaluation of movable assets identified as disposable. The Supply Chain Management Directorate shall provide the Board with a list of items, including valuations and, if applicable, details of any expressions of interest received.

The final recommendation to the Accounting Officer shall be documented together with relevant discussions and deliberations of the Board.

**(e) Removal of identification and from the Asset Register**

With regard to the disposal of movable assets of any type by any method, it is the responsibility of the Supply Chain Management Directorate to ensure that all departmental identification is removed from any part of the item. This includes erasure of any electronic information.

The Supply Chain Management Directorate shall initiate the removal of an asset from the asset register following receipt of an appropriately authorised Asset Disposal Request form. To be eligible for removal from the asset register, items shall be approved for disposal by one of the disposal methods outlined above.

**(f) Credit of Proceeds**

All monies received from the sale of movable assets shall be paid into the Provincial Revenue Fund in terms of Sections 21(2) and 21(1) of the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999) within ten working days of the sale date.

## **7. RESPONSIBILITIES AND OBLIGATIONS**

Overall responsibility for the implementation of this policy rests with the duly delegated Director: Supply Chain Management. Further responsibilities assigned to the Supply Chain Management Directorate are outlined in Clause 6 above.

## **8. COMMENCEMENT OF THE POLICY**

This policy is effective from the signature date below.

**APPROVED**



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**P J N VAN STADEN**  
**DEPUTY DIRECTOR GENERAL**

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1 September 2009

**Date**