



HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD
[REG. No: 2011/001221/07]

POLICY: ASSET DISPOSAL

Administrative Responsibility:	Chief Executive Officer
Implementing Department / Departmental Unit	Budget and Treasury Office

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“COUNCIL” refers to the Municipal Council of the Harry Gwala District Municipality, as defined in Section 157 (1) of the Constitution of the Republic of South Africa, Act 108 of 1996, as amended from time to time;

“CEO” shall mean the Chief Executive Officer of the Harry Gwala Development Agency (Pty) Ltd

“MEETING” shall mean any meeting of the board or any board sub-committees (portfolio committee) as well as any other General meeting meeting of the entity including meetings of Council, irrespective of the duration of such meeting.

“MFMA” shall mean the Municipal Finance Management Act 56 of 2003, as may be amended from time to time

“MSA” shall mean the Municipal Systems Act 32 of 2000, as amended from time to time

“NON-EXECUTIVE DIRECTOR” shall mean a non-executive director of the Agency appointed in terms of section 93E of the Municipal Systems Act, 32 of 2000, and

“SHAREHOLDER” shall mean the Harry Gwala District Municipality.

“ASSET” is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

“ASSET DISPOSAL” also called de-recognition, is the removal of a long-term asset from a company's financial records.

“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 REGISTER” Municipal entity database of all movable and immovable assets with values.

“REDUNDANT ASSETS” Items that are new, serviceable, old, outdated as a result of new development / technology or repairable but are no longer required by the user.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.

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

- Be consistent with the Broad Base Black Economic Empowerment Act, 2003 (Act no. 53 of 2003); and
- 4.1.2.3. Provide for at least the following:
- demand management
 - acquisition management
 - logistic management
 - disposal management
 - risk management
 - regular assessment of supply chain performance
- 4.1.2.4. 16A7 Disposal and letting of state assets.
- 4.1.2.4.1. 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.
- 4.1.2.4.2. 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.
- 4.1.2.4.3. 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.

4.2 Treasury Regulation 10 state

- 4.2.1 The Accounting Officer of an Institution must take full responsibility and ensure that proper control systems exist for assets.
- 4.2.2 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.

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:

- Furniture
- Computer Equipment
- Plant and Machinery
- Inventory & Consumables
- Other Machinery & Equipment

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:

- 9.2.5 Term of Office for the municipal entity Disposal Committee will be determined by board.
- 9.2.6 Members should have knowledge regarding various aspects of asset and asset management e.g. stocktaking, disposal, movement of items, history of equipment etc.
- 9.2.7 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.

9.3 FUNCTIONS OF THE MUNICIPAL ENTITY DISPOSAL COMMITTEE:

- 9.3.1 Objectively always evaluate the assets submitted for disposals and weigh disposal alternatives as per disposal procedure.
- 9.3.2 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.
- 9.3.3 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.
- 9.3.4 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.
- 9.3.5 Be available on a regular basis to attend the municipal entity's Disposal Committee meetings.
- 9.3.6 Be willing to travel and sometimes sleep out.
- 9.3.7 Be sure of any needs that exist within the municipal entity for possible transfer of assets.
- 9.3.8 Confirm in writing their availability to the Chairperson of the Committee.

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

- 9.4.1 The Chairperson of the municipal entity Disposal Committee shall be a middle Manager by Rank.
- 9.4.2 The Chairperson of the municipal entity Committee shall appoint his/her deputy who will act as Chairperson in his/her absence.
- 9.4.3 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}
- 9.4.4 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.
- 9.4.5 Chairperson shall ensure that a Disposal Register is maintained and signed off by him/her.
- 9.4.6 In consultation with the relevant Office determine the date on which the disposal meeting will take place.
- 9.4.7 Invite in writing any stakeholders i.e. Chief Executive Officer/ his /her delegate, Asset Managers on assets to be disposed of.
- 9.4.8 Determine if the municipal entity Disposal Committee forms a quorum.

10. 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.

11. DEPRECIATION ON DISPOSAL

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

12. PROCESS OF ASSET DISPOSAL

The typical disposal process comprises 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

12.1 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.

12.6 Selling by means of price quotations.

Assets with a value of less than R2 000

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

Assets with a value exceeding R2 000 but not exceeding R30 000.

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

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

- a. May be disposed of by a formal written quotation or by a tender
- b. Evaluation criteria should be clearly marked on the advert
- c. The goods shall be sold to the bidder who possesses valid tax clearance certificate and other relevant documents required by Supply Chain Processes
- d. 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
- e. Shall be sold in accordance with the conditions of sale.

12.7 Selling by Public Auction

- a. Assets with a value lower than R200 000, the municipal entity officials shall conduct the auction.
- b. Assets with a value of more than R200 000, an auctioneer shall be appointed to conduct the auction.
- c. The acceptable bid will be indicated by the fall of the hammer of the person conducting the auction.
- d. Assets can be withdrawn during the auction if the desired prices are not achieved.
- e. Goods shall be sold in accordance with the conditions of sale.

12.8 Competitive bids

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

12.9 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.

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.

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

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

- a. To have no value
- b. To be unserviceable or beyond economic repair
- c. That the disposal cost is higher than the likely return.
- d. 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.

13. 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.

13.1 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.

15.4 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 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.
- 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 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.

15.5 Assets Written Off

- The disposal of the asset 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 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.

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

21. 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.

22. 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.

23. COMMENCEMENT

This policy will commence on 1 July 2025, and must be reviewed annually together with the budget related policies.

APPROVED BY:

NAME	SIGNATURE	DESIGNATION	DATE
Mrs T.T. Thiyane-Magaqa		Acting Chief Executive Officer	22 May 2025