



Province of the
EASTERN CAPE

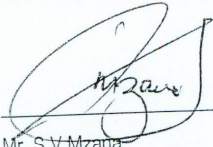
DEPARTMENT OF SOCIAL DEVELOPMENT

3rd Floor – Dukumbana Building – Independence Avenue – Private Bag X0039 – Bhisho – 5605 – REPUBLIC OF SOUTH AFRICA
Tel: +27 (0)43 7013442 • Fax: +27 (0)43 7013430 • Email address simon.mzana@socdev.ecprov.gov.za; Website: www.socdev.ecprov.gov.za

Department of Social Development

Asset Disposal Policy and Procedures

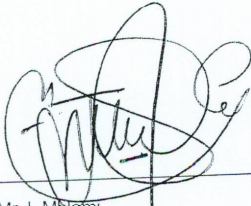
Asset Disposal Policy and Procedures



Mr. S.V. Mzama
Senior Manager: Supply Chain Management Unit

2008/03/19
Date

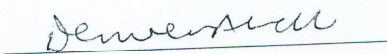
Reviewed by:



Mr J. Mthemi
Chief Financial Officer
Department of Social Development

2008/03/19
Date

Approved by:



Mr D. Webb
Accounting Officer
Department of Social Development

19/3/2008
Date

CONTENTS

1	Policy Statement	3
2	Policy Objective	3
3	Definitions	3
4	Exclusion	3
5	Regulatory Framework	4
6	Introduction	5
7	Principles, Values and Philosophy	6
8	Scope of Applicability	6
9	Process and Procedure	7
10	Roles and Responsibilities	14
11	Resource Implications	20
12	Monitoring and Evaluation	20
13	Policy Review	21
	APPENDIX A	22

1 Policy Statement

Movable assets which no longer contribute to service delivery shall be disposed in a responsible, equitable, transparent and accountable manner.

2 Policy Objective

To provide a systematic, transparent and accountable framework, that is in accordance with the legislative and regulatory environment, for the disposal of movable assets in the Eastern Cape Department of Social Development.

3 Definitions

"Asset" is a resource controlled by the Department as a result of past events and from which future economic benefits or service potential is expected to flow to the Department.

"Beyond economical repair" means a classification given to an asset where that asset requires repairs likely to be more expensive than its replacement value

"Bid" means a written offer or quotation in a prescribed or stipulated form in response to an invitation by the Eastern Cape Department of Social Development.

"Carrying amount" means the amount at which an asset is recognised in the statement of financial position (balance sheet) after deducting any accumulated depreciation and accumulated impairment losses thereon

"Contract" means the agreement that results from the acceptance of a bid / quotation by the Eastern Cape Department of Social Development.

"Department" means the Eastern Cape Department of Social Development.

"Historically Disadvantaged Individual (HDI)" means a South African citizen –

⇒ who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) ("the Interim Constitution"); and/or

⇒ who is female; and/or

⇒ who has a disability:

⇒ (Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution is deemed not to be an HDI)

"Institution" means a department, constitutional institution or public entity listed in Schedule 3A and 3C of the Public Finance Management Act

"Official" means a person in the employ of the Eastern Cape Department of Social Development.

"OTP" means Office of the Premier, Eastern Cape

"Person" includes reference to a juristic person

"PFMA" means the Public Finance Management Act (Act 1 of 1999)

"PPPFA" means the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)

"Small, Medium and Micro Enterprises (SMMEs)" bears the same meaning assigned to this expression in the National Small Business Act (Act 102 of 1996)

4 Exclusion

For purposes of this policy "asset" does not include:

- 4.1 Buildings and other fixed structures
- 4.2 Land and sub soil assets

5 Regulatory Framework

- 5.1 Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
- 5.2 Preferential Procurement Regulations, 2001
- 5.3 Public Finance Management Act (Act 1 of 1999)

5.3.1 Section 27 Annual Budgets

- (3) An annual budget must be in accordance with a format as may be prescribed, and must at least contain-
 - (b) estimates of current expenditure for that financial year per vote and per main division within the vote;
 - (d) estimates of capital expenditure per vote and per main division within a vote for that financial year and the projected financial implications of that expenditure for future financial years;

5.3.2 Section 38 General responsibilities of accounting officers

The accounting officer for a department, trading entity or constitutional institution-

(a) must ensure that that department, trading entity or constitutional institution has and maintains-

- (i) effective, efficient and transparent systems of financial and risk management and internal control;
 - (iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
- (b) is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;
- (d) is responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution;

5.3.3 Section 45 Responsibilities of other officials

An official in a department, trading entity or constitutional institution-

- (a) must ensure that the system of financial management and internal control established for that department, trading entity or constitutional institution is carried out within the area of responsibility of that official;
- (b) is responsible for the effective, efficient, economical and transparent use of financial and other resources within that official's area of responsibility;
- (e) is responsible for the management, including the safeguarding, of the assets and the management of the liabilities within that official's area of responsibility.

5.4 Treasury Regulations, March 2005

5.4.1 Regulation 10 Asset Management

10.1 Responsibility for asset management

10.1.1 The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that –

- (a) preventative mechanisms are in place to eliminate theft, losses, wastage and misuse; and
- (b) stock levels are at an optimum and economical level.

10.2 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.

5.4.2 Regulation 16A Supply Chain Management

16A3 Supply Chain Management System

16A3.1 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 her or her institution for –

- (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);
- (c) be consistent with the Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- (d) provide for at least the following:-
 - (i) demand management
 - (ii) acquisition management
 - (iii) logistics 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 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.

16A7.2 Notwithstanding the provisions of paragraph 16A7.1, accounting officers and 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 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.

- 5.5 Regulations in terms of the Public Finance Management Act, 1999: Framework for Supply Chain Management, December 2003

6 Introduction

6.1 Role of Assets

Assets are of value to the Department only in so much as that they support service delivery and fulfilment of the Department's mandate in a cost effective manner. Assets should only exist to support programme delivery. If an asset does not contribute effectively to such, it should not be held or used and must be disposed of.

6.2 Characteristics of Assets

For the purpose of this policy, an asset is an item possessing the following characteristics:

- 6.2.1 It is a physical item of value;
- 6.2.2 It possesses service potential or future economic benefit that will flow to the Department;
- 6.2.3 The service potential or future economic benefit is controlled by the Department;
- 6.2.4 The service potential or future economic benefit arose from past transactions or events (that is, 'future' assets cannot be recognised in the financial statements);
- 6.2.5 It is probable that the service potential will be used;
- 6.2.6 The asset has a cost or value that can be reliably measured.

6.3 Disposal of Assets

The Department has on its Asset Register items of no book value and physical items beyond the state of repair. The Department also owns computer equipment that is technically obsolete and asset items which are no longer required. The PFMA and its associated Regulations are specific in that assets that no longer serve the purpose for which they were intended, or that no longer support the service delivery and mandate of the Department, should be disposed of at fair market value.

6.4 Purpose of the Asset Disposal Policy

The purpose of this policy is to provide a framework, with policies, processes and procedures, through which the Department may dispose of those assets which are identified as eligible for disposal. The sale of assets is regulated through the PFMA and the associated Treasury Regulations and those prescripts have been incorporated into this

policy. The goals of the PPPFA have been incorporated into the bidding process by implementation of a preference point system for all bids and / or quotes in excess of R 30 000

7 Principles, Values and Philosophy

This policy is intended to reflect the Department's commitment to the vision, mission, goals and values contained in Department's Strategic Plan. Committee members and other role players in the disposal process shall ensure they maintain the highest ethical standards and that their code of conduct is in accordance with the prescripts.

The PFMA and associated Regulations also require that the disposal of any asset shall maximise returns whilst ensuring open and effective competition. In the disposal process the following principles shall apply:

- 7.1 Reasonable effort shall be made to ensure no other Department has a need for the asset to be disposed
- 7.2 Items of historical or cultural significance shall be given special regard
- 7.3 Any dangerous or environmentally hazardous goods shall be disposed of in an authorised manner
- 7.4 The disposal method chosen will promote fair and effective competition to the greatest extent possible
- 7.5 Disposals shall be conducted in an ethical manner
- 7.6 No warranty will be offered on assets sold
- 7.7 No credit terms will be extended to purchasers of assets

8 Scope of Applicability

This policy applies to movable fixed assets which are to be disposed of by the Department to persons or other institutions who are interested in acquiring the movable property at market value. The policy relates to the following movable assets only (please see appendix A for detailed items):

- ⇒ Furniture and Fittings
- ⇒ Computer Equipment
- ⇒ Office Equipment and Appliances
- ⇒ Motor Vehicles

9 Process and Procedure

The disposal process shall be as follows:

1. Assess the condition of existing assets
2. Decide which assets are to be disposed
3. Estimate the market / net realisable value of the asset to be disposed
4. Select the appropriate disposal method
5. Obtain approval for the disposal
6. Prepare for disposal
7. Establish conditions of disposal

8. Effect the disposal
9. Record the disposal
10. Evaluate the disposal process

9.1 Assess Existing Assets

9.1.1 The Asset Register of the Department shall be examined, at least on an annual basis, to establish:

- ⇒ Assets with no book value
- ⇒ Assets that have reached the end of their estimated useful/economic lives

9.1.2 The Asset Manager shall compile a list of assets eligible for disposal, with valid reasons for disposals as contained in 9.2 of this policy, from:

- ⇒ The assets identified in 9.1.1 above
- ⇒ A physical verification of movable assets, where it is established the assets are beyond economical repair
- ⇒ A motivated "Request for Asset Disposal Form" submitted to the Asset Manager by the Programme Managers of the Department
- ⇒ Any other motivation for disposal that has a valid reason in terms of 9.2 of this policy.

9.2 Reasons for Disposal

The Department 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. A reason to dispose of an asset may be based on one or more of the following:

9.2.1 The asset is redundant

9.2.2 The asset is under utilised

9.2.3 The asset is no longer required

9.2.4 The asset is technically redundant

- ⇒ Assets become redundant as they age and are replaced in the market place by more technologically advanced items.

- ⇒ This does not mean that the asset held by a department is unusable: it may be continuing to provide economic service to its user(s) but at a less effective or economical rate than a technically advanced model.

9.2.5 The asset is beyond economic repair

- ⇒ If an asset is considered to be beyond economic repair, it will have ceased to operate or provide the service for which it was acquired and the cost of its repair is more than the economic value of its contribution to the delivery of services. In circumstances such as this, and if the need still exists for continuation of those services, a decision must be taken to either replace the asset, funds permitting, or to curtail delivery of services until funds for replacement are available.

⇒ Even though it may not be cost-effective, in the absence of available funds, it may be necessary to repair the asset in order to continue providing services, and planning its replacement in a future financial year.

- 9.2.6 The asset is surplus to requirements
- 9.2.7 The asset is operationally inefficient
- 9.2.8 The asset is part of an asset replacement plan
- 9.2.9 The asset has no expected use in the foreseeable future
- 9.2.10 The asset does not comply with occupational health and safety standards
- 9.2.11 The asset exists in the asset register and the books of account but the item is physically missing due to loss or theft

9.3 Valuing Disposal Assets

National Treasury Regulation 10.2 deals with the disposal of assets and stipulates that disposals 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 Treasury approval should it not be deemed possible or advantageous to the state to dispose of the asset at market-related value.

9.3.1 Computer Equipment

Officials from the Information Technology Department shall facilitate the redistribution of computer equipment in terms of the OTP directive dated 26 March 2004.

- 9.3.2 All movable assets other than those redistributed in terms of 9.3.1 above shall be valued by a valuator who has specialist knowledge of the asset. Should the Department of Public Works not have the relevant expertise, the valuation shall be out sourced.

9.4 Methods of Disposal

9.4.1 Price Quotations: An Asset with a value not exceeding R 10 000

⇒ May be disposed of by inviting at least three written quotes, which may be submitted by:

- > Hand
- > Post
- > Facsimile
- > Email

⇒ May be disposed of without inviting competitive bids

⇒ Shall be sold to the highest quote

⇒ Shall be sold in accordance with the Conditions of Disposal contained in 9.7

9.4.2 Price Quotations: An Asset with a value exceeding R 10 000 but not exceeding R 200 000

⇒ May be disposed of by inviting as many written quotes as possible, but with a minimum of five. These

quotations may be submitted by:

- Hand
- Post
- Facsimile
- Email

- ⇒ Should it not be possible to obtain at least five written quotations, the reasons shall be recorded and the lesser number of quotations approved by the Accounting Officer.
- ⇒ Shall be disposed to an individual or institution that is in possession of a valid tax clearance certificate. This provision shall apply to all quotations over the value of R15 000, inclusive of VAT.
- ⇒ Shall be disposed within the prescripts of the Preferential Procurement Policy Framework Act and its Regulations and shall apply to all sales equal to or above R30 000, including VAT.
- ⇒ Shall be disposed according to the 80/20 preference point system. This system shall be used to dispose of assets with an estimated Rand value of R30 000 up to R200 000, including VAT. This preference point system shall be applied as follows:
 - The highest acceptable quote shall score the maximum of 80 points for price.
 - Other acceptable quotes, with lower prices, shall be awarded points for price on a pro rata basis, the calculation of which shall be in accordance with Regulation 3 of the Preferential Procurement Regulations, 2001.
 - Up to a maximum of 20 points shall be allocated in accordance with Regulation 3 (2) of The Preferential Procurement Regulations, 2001. Regulation 3 (2) relates to Government specific objectives and includes contracting with a bidder who:
 - Is an Historically Disadvantaged Individual; and/or
 - Is subcontracting with an Historically Disadvantaged Individual; and/or
 - Achieves any of the specified goals stipulated in Regulation 17 of The Preferential Procurement Regulations, 2001.
 - The points awarded for Government specific goals shall be added to the points awarded for price in order to establish the final score.
 - The quote with the highest score shall be awarded the sale.
- ⇒ Shall be sold in accordance with the Conditions of Disposal contained in 9.7 below.

9.4.3 Competitive Bids: An Asset with a value exceeding R 200 000

- ⇒ Shall be disposed by inviting competitive bids for all disposals above R200 000
- ⇒ Shall follow the Supply Chain Management Framework process that regulates Bids, Bidding Procedures and Bid Evaluation Committees
- ⇒ Shall be disposed within the prescripts of the Preferential Procurement Policy Framework Act and its Regulations and shall apply to all bids for procurement above R200 000 including VAT.

- ⇒ Shall be disposed to an individual or institution that is in possession of a valid tax clearance certificate. This provision shall apply to all quotations over the value of R15 000, inclusive of VAT.
- ⇒ Shall be disposed according to the 80/20 preference point system. This system shall be used to dispose of assets with an estimated Rand value of R200 000 up to R500 000. This preference point system shall be applied as follows:
 - The highest acceptable bid shall score the maximum of 80 points for price.
 - Other acceptable bids, with lower prices, shall be awarded points for price on a pro rata basis, the calculation of which shall be in accordance with Regulation 3 of the Preferential Procurement Regulations, 2001.
 - Up to a maximum of 20 points shall be allocated in accordance with Regulation 3 (2) of The Preferential Procurement Regulations, 2001. Regulation 3 (2) relates to Government specific objectives and includes contracting with a bidder who:
 - Is an Historically Disadvantaged Individual; and/or
 - Is subcontracting with an Historically Disadvantaged Individual; and/or
 - Achieves any of the specified goals stipulated in Regulation 17 of The Preferential Procurement Regulations, 2001.
 - The points awarded for Government specific goals shall be added to the points awarded for price in order to establish the final score.
 - The bidder with the highest score shall be awarded the sale.
- ⇒ Shall be disposed according to the 90/10 preference point system. This system shall be used to dispose of assets with an estimated Rand value in excess of R500 000 including VAT. This preference point system shall be applied as follows:
 - The highest acceptable bid shall score the maximum of 90 points for price.
 - Other acceptable bids, with lower prices, shall be awarded points for price on a pro rata basis, the calculation of which shall be in accordance with Regulation 4 of the Preferential Procurement Regulations, 2001.
 - Up to a maximum of 10 points shall be allocated in accordance with Regulation 4 (2) of The Preferential Procurement Regulations, 2001. Regulation 4 (2) relates to Government specific objectives and includes contracting with a bidder who:
 - Is an Historically Disadvantaged Individual; and/or
 - Is subcontracting with an Historically Disadvantaged Individual; and/or
 - Achieves any of the specified goals stipulated in Regulation 17 of The Preferential Procurement Regulations, 2001.
 - The points awarded for Government specific goals shall be added to the points awarded for price in order to establish the final score.

- value will be issued to the Department.
- 9.4.8 Exchanges of Assets
- ⇒ An asset may be acquired in exchange or part exchange for a dissimilar item of property, plant and equipment or other asset.
 - ⇒ The asset may be acquired in exchange for a similar asset that has a similar use in the same line of business and which has a similar fair value. The asset may also be sold in exchange for an equity interest in a similar asset.
- 9.4.9 Trade-In
- ⇒ Motor Vehicles may be traded in where there is an intention to replace the existing vehicle with a replacement vehicle
 - ⇒ Assets may be traded in on new assets where the trade in offered represents a fair market value.
- 9.4.10 Service Provider
- ⇒ Where assets used by the Department are owned by a third party, the Department shall abide by the policies that govern the Service Level Agreement with that third party
- 9.4.11 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 may request the Disposal Committee to recommend the write off of the asset concerned, both in the Asset Register and the accounting records.
 - ⇒ The details of the assets so written off shall be reported in writing to the Chief Financial Officer, together with the cost and net book value of those assets.

9.5 Approval for Disposal

Approval shall follow the following delegated levels of authority:

- 9.5.1 For the disposal of an asset whose value does not exceed two and a half million Rand (R2 500 000) – the Bid Adjudication Committee, based on recommendations made by the Bid Evaluation Committee, may approve the disposal.
- 9.5.2 For disposal of an asset whose value exceeds two and a half million Rand (R2 500 000) but does not exceed five million Rand (R5 000 000) – the Accounting officer, based on the recommendations of the Bid Adjudication Committee acting on the recommendations of the Bid Evaluation Committee, may approve the disposal.
- 9.5.3 For disposal of an asset whose value exceeds five million Rand (R5 000 000) - the Accounting Officer, based on the recommendations of the Interim Bid Advisory Committee acting on the recommendations of the Bid Adjudication and Bid Evaluation Committees, may approve the disposal.
- 9.5.4 Deviations on Award of Contracts

Where the Bid Adjudication Committee approves a bid other than the one recommended by the Bid Evaluation Committee:

- ⇒ The Accounting Officer shall be notified in writing of this deviation, together with the recommendation of the Bid Evaluation Committee
- ⇒ The Accounting Officer shall, after consideration, ratify or reject the decision of the Bid Adjudication Committee.

9.6 Preparing for a Sale

9.6.1 A check must be carried out on the asset to be sold to ensure that that asset does not contain:

- ⇒ Additional items not intended for sale
- ⇒ Confidential documents (records, files, papers, etc.)
- ⇒ External asset tags
- ⇒ Hazardous materials

9.6.2 In the case of Computer Equipment

- ⇒ The Department's Information Technology Unit and the Provincial Government Information Technology Officer (PGITO) shall remove all data and software from the hard drives of computers to be disposed.

9.7 Conditions of Disposal

9.7.1 Liability

- * ⇒ The Department shall not offer any warranty as to the quality or condition of goods offered for disposal
- ⇒ Documentation relating to the disposal of an asset shall contain a disclaimer and exclusion of warranty which will establish:
 - > The Department offers no warranty on the condition of the assets for sale
 - > That all assets are sold "as is, where is"

9.7.2 Payment

- ⇒ The asset shall be paid for in cash or by bank guaranteed cheque prior to the successful purchaser taking delivery of such assets purchased

9.8 Disposal of Assets

9.8.1 Assets shall be sold to the bidder scoring most points

9.8.2 Assets shall be disposed in accordance with the method of disposal recommended by the Disposal Committee. The method of disposal shall be informed by the results of the assessment in paragraph 9.1 and in accordance with the thresholds stipulated in this policy.

9.8.3 Assets shall be disposed of through the Disposal Committee in accordance with the processes and

SV
am

procedures laid down in this policy.

9.8.4 Computer Equipment

In terms of the Treasury Regulations, 2005, the Accounting Officer of the Department shall first approach the Eastern Cape Department of Education to determine whether they require such equipment for their schools or training institutions. In the event of the computer equipment being required by the Department of Education, the Accounting Officer may transfer such equipment free of charge to the institution identified by the Department of Education. The cost of moving these assets to the required locations shall be for the account of the beneficiary. This disposal shall be done in accordance with the OTP directive dated 26 March 2004.

9.8.5 Sale to Department of Social Development Employees

The Department may sell movable assets identified for sale to its employees only if all the following conditions are satisfied:

9.8.5.1 The estimated market / net realisable value of each of the movable assets is less than R 5000

9.8.5.2 The method of disposal to employees shall be in accordance with 9.4.1

9.8.5.3 The number of assets sold to each individual employee shall be limited to the number recommended by the Disposal Committee

9.9 Record the Disposal

9.9.1 The asset sold shall be invoiced to the purchaser

9.9.2 The Asset Register shall reflect the sale

9.9.3 The accounting records shall reflect the sale

9.9.4 The proceeds of the sale shall be banked in the Department's bank account

9.9.5 The profit on disposal of the asset shall be surrendered to the Provincial Revenue Fund

9.10 Evaluate the Disposal Process

9.10.1 The Disposal Committee shall prepare and submit a report to the Chief Financial Officer within twenty one (21) days after each disposal and this report shall contain the following:

- ⇒ An description of the process followed
- ⇒ Difficulties in policy and procedure interpretation
- ⇒ Difficulties in policy and procedure implementation
- ⇒ Recommendations for policy and procedure amendments

9.10.2 The Chief Financial Officer shall prepare and submit a report based on the findings of the Disposal Committee to the Accounting Officer within twenty one (21) days after receipt of said report defined in

10 Roles and Responsibilities

10.1 Supply Chain Management Unit

The Supply Chain Management Unit shall perform the following functions in the disposal of assets over R200 000:

10.1.1 **Issue the Invitation to Bid**

- ⇒ The bidding documents shall be compiled in at least English.
- ⇒ The Invitation to Bid may be advertised in:
 - The Government Tender Bulletin
 - The relevant media to ensure the target market is reached
 - The Department's website
- ⇒ The costs of advertising shall be borne by the Department
- ⇒ The bids shall be advertised at least twenty one (21) days before the closing date of the bid
- ⇒ The advertisement shall contain the following information:
 - The bid number
 - The closing date and the closing time of the bid (normally 11am on the closing date)
 - Where the bids must be posted or delivered to, with at least the following information:
 - Name of the Department
 - Street Address
 - Postal Address
 - Bid Box address
 - Contact person for enquiries
 - Telephone number
 - Facsimile number
 - Details of the asset(s) to be sold, including:
 - Detailed description of the asset(s)
 - Address where the asset(s) may be viewed
 - Conditions of sale
 - The preference point system to be applied in the award of the bid
 - The validity period of the bid – which should be at least sixty (60) days to allow sufficient time for the finalisation of the bid award process

10.1.2 **Compile the Bid Documentation**

All bid documentation:

- ⇒ Shall be allocated a sequential bid number
- ⇒ Shall be ready and available prior to the advertisement of the bid but not distributed to potential bidders prior to the bid advertisement date.
- ⇒ Shall be uniform and prospective bidders shall receive identical document packs
- ⇒ May be sold under the following circumstances:
 - The fee charge is reasonable, covering only printing and delivery costs of bid documentation

- Monies received for the sale of bid documentation is deposited into the Provincial Revenue Fund
- All monies received is recorded and accounted for

⇒ Shall contain the following:

- The bid number
- The closing date and the closing time of the bid
- Invitation to Bid
- Tax clearance requirements
- Declaration of interest form
- Relevant preference points claim form
- Conditions of sale
- Evaluation criteria

10.1.3 **Manage Bid Documentation Applications**

⇒ A register of all bid responses to each advertisement shall be maintained

⇒ The register shall contain the following information:

- The bid number
- Name of the bidder to whom the bid documents were issued
- Name of the person who collected the bid documents on behalf of the bidder and:
 - The person / company on whose behalf the bid documents are collected
 - The contact telephone and facsimile number of the prospective bidder
 - The contact person on the case of a prospective bidding company
- The date and time of collection of the bid documents
- The date the bid documents were posted and to what address

10.1.4 **Manage Bids / Quotes Received**

The following rules shall apply in the acceptance or rejection of bids:

- ⇒ Bids received that do not meet the specified requirements shall be rejected
- ⇒ Only bids where the essential forms are signed in ink shall be deemed to be valid bids/quotes
- ⇒ Bids received prior to the closing time and date of the bid shall be kept unopened in safe custody
- ⇒ Bids shall be considered late if they are received at the address indicated on the bid documents after the closing date and time
- ⇒ Late bids shall be returned to the bidder unopened with an explanation that the bid was received late.
- ⇒ Bids received late will not be considered.

10.1.5 **Manage the Bid Box**

⇒ A bid box shall be visibly provided on the premises of the Department

SV

- ⇒ The bid box shall be accessible twenty four (24) hours per day, including weekends and public holidays
- ⇒ The bid box shall always be locked, unless bids are collected, to prevent unauthorised removal of bids
- ⇒ A special lockable office with a safe must be available for the receipt and storing of bids removed from the bid box
- ⇒ Bids removed from the bid box for storage in the safe shall be date stamped to indicate the time and date of receipt of the bids
- ⇒ Bids received by post, courier or similar service shall be channelled to the bid box
- ⇒ Bids received without envelopes must be sealed in an envelope containing the bid number and closing date

10.1.6 Opening of Quotations and Bids

10.1.6.1 Price Quotations: An Asset with a value not exceeding R 10 000

- ⇒ All information in relation to bids received and award recommendations shall be confidential until such time as the successful bidder is notified of the award.

10.1.6.2 Price Quotations: An Asset with a value exceeding R 10 000 but not exceeding R 200 000

- ⇒ All information in relation to bids received and award recommendations shall be confidential until such time as the successful bidder is notified of the award.
- ⇒ Admit qualifying bids for scoring The Supply Chain Management delegate/official shall score the quotations received according to the preference point system

10.1.6.3 Competitive Bids: An Asset with a value exceeding R 200 000

- ⇒ A fair and transparent process shall be followed for the closing, receiving, opening and processing of quotations in accordance with delegated powers
- ⇒ Bids shall be opened by the Secretariat in the presence of the Senior Manager: Supply Chain Management and the bidders present.
- ⇒ All bid documents shall be stamped with the following information:
 - > "Opened"
 - > Date of opening the bid
 - > Bid number
 - > Closing date of the bid
- ⇒ Ensure at least the following documents were submitted with the bid:
 - > Valid, original tax clearance certificate
 - > Completed preference points claim form
- ⇒ A Bids Received Register shall be maintained for each Invitation to Bid and shall contain at least the following:

- Bid Number
- Closing time and date
- Person / company / institution from whom the bid is received
- How the bid was received i.e. mail, hand delivery, etc.
- A list of documents included in the bid
- Value of the bid
- ⇒ All bid documents relating to the same bid shall be filed together in an organised manner
- ⇒ Sufficient copies of the bid documents received shall be made for the members of the Bid Evaluation Committee
- ⇒ All information contained in the bids received shall be confidential until such time as the successful bidder is notified of the award.
- ⇒ The Bid Evaluation Committee shall be notified that the bid is ready to be evaluated

10.2 Disposal Committee

10.2.1 Establishment of the Disposal Committee

- ⇒ The Accounting Officer shall appoint the Disposal Committee in writing and shall determine the term of office of its members.
- ⇒ A member of a Disposal Committee cannot be an official who:
 - Performed the evaluation or made any recommendations in respect of the sale of that asset.
 - Served on the Bid Evaluation Committee which processed that quotation/bid.
- ⇒ Any official involved in the disposal of assets are required to disclose actual or perceived conflicts of interest that may arise in the performance of their duties.

10.2.2 Composition and Functioning of a Disposal Committee

- ⇒ The Disposal Committee should consist of at least four officials and shall be constituted as follows:
 - A Chairperson.
 - A Vice Chairperson who should be at least on a Senior Manager level
 - Cross-functional members of which at least one member should be a supply chain management practitioner.
 - Advisors or additional officials may be co-opted on account of their specialised knowledge.
 - An Information Technology expert when the disposal of assets comprise computer equipment
- ⇒ A Secretariat shall be appointed by the Chairperson
- ⇒ Sixty percent (60%) of members present shall constitute a quorum.
- ⇒ The Code of Conduct of Disposal Committee members shall be in accordance with the prescripts applicable to supply chain management practitioners.

10.2.3 Functions of a Disposal Committee

The Committee shall:

- ⇒ Facilitate the assessment of the condition of existing assets
- ⇒ Identify when a disposal is warranted
- ⇒ Obtain a valuation of the goods
- ⇒ Recommend the appropriate method of disposal of the asset(s)
- ⇒ Apply the procedure applicable to the disposal method selected
- ⇒ Ensure the bids are evaluated and adjudicated and are done so in accordance with the delegated levels of authority
- ⇒ Ensure the asset is prepared for disposal in accordance with 9.6 above
- ⇒ Effect the disposal once the bid has been adjudicated and approved according to the thresholds
- ⇒ Prepare the reports required in accordance with this policy
- ⇒ Ensure that disposals are conducted in accordance with the policies, processes and procedures contained in this document

10.3 Bid Evaluation Committee

10.3.1 The Department's Bid Evaluation Committee shall evaluate all disposals of movable assets.

10.3.2 Functions of the Bid Evaluation Committee

The Bid Evaluation Committee shall:

- ⇒ Before the actual evaluation:
 - Ensure the bid documentation complies with any predetermined conditions
 - Ensure that the bid documentation:
 - Is completed in full
 - Includes the preference points score sheet
 - Includes a valid, original tax clearance certificate when required
 - Is correctly signed
 - Ensure the bidder does not appear on the list of restricted bidders / persons
- ⇒ Evaluate all bids received in response to the Invitation to Bid in accordance with the bid evaluation criteria and weighting specified, within the delegated levels of authority
- ⇒ Score each bid in terms of price and preference points
- ⇒ Calculated average points will be used for final determination of scores, not consensus decisions.
- ⇒ Rank the bids from the highest offer to the lowest offer
- ⇒ Shall record all the comments for each bid which shall be signed by the Chairperson of the Evaluation Committee
- ⇒ Submit a report with recommendations regarding the award of the bid, where the bid does not

exceed R 5 000 000, to the Bid Adjudication Committee for consideration and make recommendation to Accounting officer for approval.

10.4 Bid Adjudication Committee

10.4.1 The Department's Bid Adjudication Committee shall adjudicate all disposals of movable assets.

10.4.2 Functions of the Bid Adjudication Committee

- ⇒ The Bid Adjudication Committee shall consider the recommendations of the Bid Evaluation Committee and, depending on its delegated powers, make:
 - A final award
 - A recommendation to the Accounting Officer for the Accounting Officer to make a final award
 - Make any other recommendation to the Accounting Officer on how to proceed with the relevant sale
- ⇒ The Bid Adjudication Committee shall ensure that:
 - All the necessary bid documents have been submitted
 - Bid disqualifications are justified
 - Valid and accountable reasons and motivations were furnished for passing over bids
 - Scoring has been fair and consistent
 - Scoring has been correctly calculated and applied
 - Bidders' declarations of interest have been taken cognizance of
 - Assess the recommendation process followed to ensure that the policies have been complied with in full
- ⇒ The Bid Adjudication Committee may refer any recommendations made by the Bid Evaluation Committee back to that committee for reconsideration.
- ⇒ The Accounting Officer may at any stage refer any recommendations made by the Bid Adjudication Committee back to that committee for reconsideration.
- ⇒ The Bid Adjudication Committee shall submit its recommendations to the Accounting Officer for consideration and approval.
- ⇒ Submit a report with recommendations regarding the award of the bid, where the bid exceeds R 5 000 000, to the Interim Bid Advisory Committee for review and consideration. The Interim Bid Advisory Committee shall make recommendations to the Accounting Officer for consideration and approval.
- ⇒ All documentation received in the bidding process together with the recommendations of the committees involved shall be filed and stored in an organised manner to facilitate easy access for audit purposes at a later date or as and when required.

10.5 Office of the Chief Financial Officer

Accounting entries need to be effected in all instances where an asset is disposed or written off, and this is the responsibility of the Office of the Chief Financial Officer. The following seeks to address the accounting treatment after disposal or write-off of a movable asset:

10.5.1 Assets no longer in use

- ⇒ 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.
- ⇒ The asset shall remain at the value of one rand until the asset is disposal through one of the reasons identified in 9.2 above.

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

10.5.3 Asset Transfers between Departments and Entities

- ⇒ If an asset is transferred to another department that asset will be removed from the records of the Department 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 department, 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.
- ⇒ Assets transferred to a Public Entity shall be re-valued on receipt by the Public Entity and share capital of an equivalent value will be issued to the Department.

10.5.4 Asset Exchanges

- ⇒ An asset may be acquired in exchange or part exchange for a dissimilar item of property, plant and equipment or other asset.
- ⇒ When an asset is exchanged for a similar asset, it is implied that the cost of the acquired asset is equal to the carrying amount of the asset disposed of and no gain or loss results.
- ⇒ The cost of such an item is measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up, adjusted by the amount of any cash or cash equivalents

transferred.

- ⇒ The asset may be acquired in exchange for a similar asset that has a similar use in the same line of business and which has a similar fair value or the asset may also be sold in exchange for an equity interest in a similar asset.
- ⇒ In both cases above, no gain or loss is recognised on the transaction. Instead, the cost of the new asset is the carrying amount of the asset given up. However, the fair value of the asset received may provide evidence of impairment in the asset given up. Under these circumstances the asset given up is written down and this written-down value assigned to the new asset.

10.5.5 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 surplus 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.

10.5.6 Assets Written Off

- ⇒ 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.
- ⇒ 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.

11 Resource Implications

11.1 Financial

Targeted directorates shall be responsible for budgeting for the implementation, monitoring and evaluation of the policy. Senior managers must take note of cost implications of the approved policy that should be borne by the respective directorates.

11.2 Human Resources

Directorates shall make officials available for the implementation, monitoring and evaluation of the policy.

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

13 Policy Review

This policy shall be reviewed every two (2) years from its effective date to determine its effectiveness and appropriateness. It may also be reviewed before that time as necessary to reflect substantial organisational changes or any change required by law and regulations.

Appendix A

1) Furniture and fittings shall include but not limited to:

- | | |
|---------------|---------------------|
| a) Desks | f) Trolleys |
| b) Tables | g) Shelving |
| c) Chairs | h) Blinds |
| d) Cupboards | i) Filling cabinets |
| e) Curtaining | |

Where furniture forms part of a set or suite of furniture, this shall be sold as a set or suite. Should the Department be unable to dispose of the furniture as a set or suite, it may then dispose of the items individually.

2) Computer equipment shall include but not limited to:

- | | |
|----------------------|----------------------|
| a) Desktop computers | g) Computer spares |
| b) Notebooks | h) Hard drives |
| c) Laptops | i) Mouse |
| d) Printers | j) Keyboards |
| e) Data projectors | k) Computer speakers |
| f) Computer monitors | |

3) Office equipment and appliances shall include but not limited to:

- a) Facsimile machines
- b) Fridges
- c) Microwaves
- d) Video recorders
- e) Television sets
- f) DSTV Decoders
- g) MNet Decoders
- h) Shredders
- i) Air Conditioners
- j) Kettles
- k) Urns
- l) Coffee Machines
- m) Toasters
- n) DVD / CD Players
- o) DVD / CD Recorders
- p) Dictaphones
- q) Cellphones

- r) photo copiers
- 4) Motor vehicles shall include but not limited to:
 - a) Sedans
 - b) Light Delivery Vehicles
 - c) Trailers
 - d) Caravans
 - e) 4x4 Vehicles