

**POLICY HANDBOOK**

**VOLUME 2**

**2015 - 2017**

## EXECUTIVE SUMMARY

- i. This policy handbook provides a quick and easy source of reference to departmental policies. The information contained herein is subject to the legal documents that pertain to each policy. In line with the National Development Plan Vision 2030, this policy hand book shall strengthen the policy approach of the department and thus ensure that the department has sustainable policies to respond to its mandate.
- ii. The policies contained in this handbook shall be effective on the date of approval and supersedes all previous clerical and technical and professional and administrative policy handbook versions. Any such representation made prior to the effective date of these policies contained herein are hereby rescinded and superseded by this handbook.
- iii. A number of supplementary guidelines, templates, procedures and implementation tools have been developed to enhance user friendly approach and to facilitate implementation of the policies.
- iv. The policy handbook shall be valid from the financial year 2015-2017 as policy implementation is aligned to the Strategic Plan of the Department to ensure consistency and coherence.
- v. Any reviews or amendments in the policies contained herein shall be determined by the changes to the legislation, regulations, relevant prescripts and policy directives. The Departmental Policy Guidelines on matters pertaining to reviews and or amendments processes must be consulted at all times.

## TABLE OF CONTENTS

1) ASSET DISPOSAL POLICY	5
2) ASSET MANAGEMENT POLICY	47
3) FRAUD AND ANTI- CORRUPTION POLICY	73
4) HEALTH AND PRODUCTIVITY MANAGEMENT POLICY	91
5) HEALTH AND SAFETY ENVIRONMENT, RISK & QUALITY (SHERQ) MANAGEMENT POLICY	110
6) INTERNAL BURSARY POLICY	141
7) ASSET LOSS CONTROL POLICY	172
8) RECORDS MANAGEMENT POLICY	199
9) RISK MANAGEMENT POLICY	245
10) SECURITY MANAGEMENT POLICY	269
11) SUBSISTENCE AND TRAVEL ALLOWANCE POLICY	297
12) WELLNESS MANAGEMENT POLICY	320





Province of the

**EASTERN CAPE**  
SOCIAL DEVELOPMENT

# **ASSET DISPOSAL POLICY**

**POLICY REGISTRATION NO: 2015 - 01**



## TABLE OF CONTENTS

- i. Table of Contents
- ii. Definitions of terms
- iii. Legislative Framework
- iv. Preamble
- v. Purpose
- vi. Scope of Applicability
- vii. Principles and Values
- viii. Approving Authority
- ix. Administration of the policy
- x. Policy Statement
- xi. Accountabilities and Responsibilities
- xii. Effective date of the policy
- xiii. Procedures for implementation
- xiv. Monitoring and evaluation
- xv. Review of the policy
- xvi. Policy recommendation and approval
- xvii. Appendix

## DEFINITION AND TERMS

<b>i. DEPARTMENT</b>	The Eastern Cape Department of Social Development
<b>ii. ASSET</b>	A resource controlled by the Department as a result of past events and from which future economic benefit or service potential is expected to the department.
<b>iii CRIMINAL OR POSSIBLE CRIMINAL ACTS OR OMISSION</b>	Acts of fraud, theft, burglary, arson, forgery, willful damage and other wrong, where laws of the country are contravened and the guilty party can be followed up and charged by State of which any person can commit such offences.
<b>iv ACTS OF OMISSION BY THE SAID PERSON</b>	Result of not carrying or failure to carry duties attached to the function.
<b>v. DISCREPANCY</b>	A shortage or surplus that has not been determined through perusing of supporting documents to justify any transaction made
<b>vi. SHORTAGE</b>	Any items allocated to any User and cannot be physically availed when required by any officer allocated with verification function.
<b>vii. SURPLUS</b>	Additional items found on assets allocated when physically compared with any allocation document.
<b>viii. WEAR AND TEAR</b>	A natural reduction condition against the original manner.
<b>ix. CONSUMABLES (PERISHABLE ITEMS)</b>	All perishable items that are stored and the department have incurred expenses in acquisition.
<b>x. USER</b>	The occupant or possessor of movable assets of the department.
<b>xi. ASSET LOSS</b>	A waste or negligence experienced by the department of Social Development on assets that may have financial value.
<b>xii LOSS CONTROL REGISTER</b>	Record where all losses or damages shall be recorded per financial year.
<b>xiii. ASSET DISPOSAL</b>	Physical determined method of getting rid of an asset.

<b>xiv. BEYOND ECONOMICAL REPAIR</b>	A classification given to an asset where that asset requires repairs likely to be more expensive than its replacement value.
<b>xv. VIS MAJOR</b>	Incident that could not be avoided
<b>xvi. DAMAGE</b>	Reduction of asset value through omission or negligence.
<b>xvii. DEBT</b>	A person owing money to the second party
<b>xviii. CONTRACT</b>	The agreement that results from the acceptance of a bid / quotation by the Eastern Cape Department of Social Development.
<b>xix. INSTITUTION</b>	A department, constitutional institution or public entity listed in Schedule 3A and 3C of the Public Finance Management Act
<b>xx. OFFICIAL</b>	A person in the employment of the Eastern Cape Department of Social Development
<b>xxi. OBSOLETE</b>	Assets that are beyond the economic value within the department “
<b>xxii REDUNDANT</b>	An asset is not physical utilised but may partially serve the initial purpose.“
<b>xxiii. UNSERVICEABLE-</b>	An asset is technically beyond repairs and is not economically with any further repairs.
<b>xxiv. STRAIGHT LINE</b>	Accounting calculation method for determination current value.
<b>xxv. INVENTORY CONTROLLER</b>	Head of Component/Directorate/Institution
<b>xxvi. TRANSFER OF MOVEABLE ASSETS</b>	Permanent movement of assets from the department to another Department and or Entities.

<b>xxvii. HISTORICALLY DISADVANTAGED INDIVIDUAL (HDI)</b>	<p>South African citizen:</p> <ul style="list-style-type: none"> <li>a) 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</li> <li>b) Who is female; and/or</li> <li>c) Who has a disability</li> <li>d) 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 HD</li> </ul>
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<b>ACRONYMS</b>	
<b>i. PFMA</b>	Public Finance Management Act (Act 1 of 1999)
<b>ii. SCMU</b>	Supply Chain Management Unit of the department.
<b>iii PPPFA</b>	Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
<b>iv SAPS</b>	South African Police Services

## LEGISLATIVE FRAMEWORK

- i. Constitution of South Africa, act 108, 1996
- ii. Section 76 (1)(b) of Public Finance Management Act (Act 1 of 1999) as amended
- iii. Supply Chain Management section 16A7
- iv. Section 12.5.1 of treasury regulation
- v. PPPFA Act 5 of 2000
- vi. Preferential Procurement Regulations 2001
- vii. Standards of Generally Recognised Accounting Practice (GRAP)

## 1. PREAMBLE

- 1.1 Public Finance Management (Act 1 of 1999) Section 38 1(b) of the as amended provides that the Accounting officer is responsible for effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution. Section 38 subsection 1(d) of the Public Finance Management Act, that provides that the Accounting officer for the department 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.
- 1.2 In an effort to curb challenges related to the identification, classification, methodology and management of disposal. The department embarked in a process of reviewing its instruments and interventions for effective disposal of assets. This policy intends to promote transparent, efficient, effective and economical disposal of assets in line with department's acquisitions and procurement plans.
- 1.3 Assets disposal management of Non- Profit and Non-governmental Organisations funded by the department shall be dealt with in terms of the Non-Profit Organisation Act 71 of 1997.

## 2. PURPOSE

The purpose of this policy is to provide a framework for the disposal of the department's moveable assets that are not prerequisite to provide the minimum level of basic departmental services.

## 3. OBJECTIVES

- 1.1 To provide guidelines and regulation frame work for the disposal of the departmental moveable assets that are not needed to provide the minimum level of basic departmental services
- 1.2 Provision of norms and standards for recognition of an asset for disposal.

1.3 Promotion of ethical asset control by the End users at all times

1.4 Attachment of responsibility of asset inventory controller to users until the asset reaches its life cycle/working conditions.

#### 4. SCOPE OF APPLICABILITY

4.1 This policy is applicable to all employees of the Department of Social Development.

4.2 This policy exclude assets owned by NGO/NPO and will be dealt with in terms of NPO Act 1 of 1997.

#### 5. PRINCIPLES AND VALUES

The following values shall inform the disposal of all departmental assets:

- a) **Transparency:** Disposal of assets shall be conducted in a transparent manner whereby the role players shall be informed of the process and the end products shall contribute to creation of revenue and or community capacitation.
- b) **Effective:** Asset disposal is provided for the management of identified obsolete, redundant and worn-out assets of the department.
- c) **Economic:** Asset disposal shall be conducted in a cost effective manner with realisation of value for money in the process.
- d) **Value for money:** Asset disposal process shall maintain value for money is its recommended disposal method for all assets in the department.

#### 6. POLICY STATEMENT

The Department of Social Development commits itself to ensuring that movable assets which are no longer contributing to service delivery shall be disposed in a responsible, equitable, transparent and accountable manner in line with Section38 1(b) of the Public Finance Management (Act 1 of 1999).

## 6.1 CONDITIONS OF DISPOSAL

- a) The Department shall not offer any warranty or have any liability as to the quality or condition of goods offered for disposal.
- b) Documentation relating to the disposal of an asset shall contain a disclaimer and exclusion of warranty which will establish:
  - i. The Department offers no warranty on the condition of the assets for sale.
  - ii. That an asset is sold “as it is, where it” denotes that the item is sold at no guarantee on acceptance by the buyer.
  - iii. Assets purchased will be removed from government premises only after payment received and the department will not be liable for loss suffered on uncollected item within 24 hours after purchase.
  - iv. The department shall not be liable for any transportation of any item sold or purchased/ donated to entities.
  - v. Items manufactured as a result of expenses incurred by the department from voted fund shall be recorded on relevant inventory at market related value or original cost of the material. The item shall be disposed or donated to interested entities as inventory item i.e. steel products, wool, linen, wood etc.

## 6.2 ASSESSING THE EXISTING ASSETS

- a) Asset Management Unit shall conduct asset physical verification and reconciliation bi-annually.
- b) Asset Register of the Department shall be reviewed bi-annually after asset physical verification and reconciliation to establish:
  - i. Asset that are damaged through force majeure
  - ii. Asset damaged or lost through negligence

- iii. Assets that are obsolete, worn out, unserviceable, redundant and surpluses.
- iv. The Manager Asset Letting and disposal shall review all assets to be disposed and documentary evidence made available as proof of the exercise that the function was actually conducted.
- v. The Asset Manager: Letting and disposal shall compile a list of assets eligible for disposal, with valid reasons for disposals confirmed by the Senior Manager: Logistics Management/ Responsibility Manager/ District Manager where possible.

### **6.3 VALUING OF ASSETS FOR DISPOSAL**

- a) Assets identified for disposal by the department may be evaluated with full consideration of cost effectiveness when comparing with physical condition and cost benefit.
- b) The department may have reserve price for an item provided the asset to be disposed was in use and may generate revenue for the department.
- c) The department shall take cognizance of evaluation against the physical condition of item for disposal.
- d) The accounting officer of the department or his/her delegate may waive the valuation of asset when it is deemed not cost effective for appointment of service provider; therefore the asset disposal through public auction may be conducted internally. The officer conducting such function shall be appointed in writing with duties attached in line with this policy.
- e) The appointed officer for disposal may not be allowed to collect any revenue, only the Financial Planning Services may execute this function.
- f) The internal appointment for physical disposal of any asset must not be below a level of an Assistant Manager.

### **6.4 REASONS FOR DISPOSAL**

The Department shall be accountable for its decision to dispose assets and shall document the decision to; and the reasons for, the disposing of the movable assets. A reason to dispose

an asset may be based on one or more of the following:

- a. The asset is redundant
- b. The asset is obsolete, worn-out or unserviceable (i.e. technically or operational inefficient)
- c. The asset is lost or damaged through force majeure
- d. The asset is technically redundant
- e. The asset is beyond economic repairs
- f. The asset or consumable item that was made only for training by the institution or office but can no longer be used by the department.
- g. When an asset is lost or stolen
- h. When an asset is transferred to another department or institution.

## **6.5 DISPOSAL OF ASSETS**

- a) The assets to be disposed shall be removed from the operational area (working space) and shall be kept in Warehouse under lock and key.
- b) Assets shall be disposed in accordance with the method of disposal recommended by the Disposal Committee Members appointed by the Accounting Officer of the department.
- c) The method of disposal shall be informed by the results of the assessment and in accordance with the thresholds stipulated in this policy.
- d) Assets shall be disposed of through the Disposal Committee in accordance with the processes and procedures laid down in this policy.

## **6.6 DISPOSAL OF MOVEABLE ASSET**

Not all assets are retained throughout their economical useful life cycle 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 carrying amount of the asset.

- a) 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.
- b) The surplus arising from the disposal of assets must be surrendered to the Provincial Revenue Fund.
- c) A loss on disposal of a movable asset is recorded as expenditure for the fiscal year as it represents a loss over the useful life of the asset

#### **6.6 DISPOSAL OF REDUNDANT, OBSOLETE AND UNSERVICEABLE ITEMS**

- a) Inventory and assets related items that are redundant, obsolete or unserviceable, shall be disposed on submission of the report by the user/responsibility Manager/asset inventory Controller or his / her delegate.
- b) This policy applies to movable fixed assets that are to be disposed off by the Department to persons or other institutions who are interested in acquiring the movable assets. The policy relates to the following movable assets only:
  - i. Furniture and office equipment
  - ii. Computer Equipment
  - iii. Office Equipment and Appliances
  - iv. (E-Accountable items)Perishable items/expendables
  - v. Items made of any material as part of training i.e. linen, wood,steel etc.

#### **6.7 DISPOSAL OF CONSUMABLE ITEMS**

- a) The original cost of the asset shall be removed from the asset register and be part of the disclosure in the financial statements after disposal or transfer of an asset.
- b) The original cost of the consumable items/E-class Accountable items shall be removed from the inventory register and be part of the disclosure in the financial statements after disposal or transfer.

## **6.8 DISPOSAL OF INVENTORY/E-CLASS ACCOUNTABILITY ITEMS.**

These items shall be disposed as follows:

- a) Assessment of the physical condition of each asset item.
- b) Decision of the items to be disposed emanating from the physical conditions.
- c) Decision on the market related or cost value to the item based on the condition per item.
- d) Selection of relevant disposal method based on condition of item.
- e) Consider cost effective of evaluation where and when necessary.
- f) Draw up a report to the Accounting officer on recommendation by the Disposal Committee.
- g) Disposal method of such items may be effected by an appointed officer from the rank of Assistant Manager or relevant level and above provided the estimated amount to be collected per item is within the departmental delegation.
- h) Secure all documentation related to the approved method for record purposes.

## **6.9 APPROVAL FOR DISPOSAL**

Approval shall follow the following delegated levels of authority:

- a) For the disposal of an asset whose original cost 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 make recommendation to the Accounting Officer to approve the disposal.
- b) For disposal of an asset whose original cost exceeds two and a half million Rand (R2 500 000) but does not exceed five million Rand (R5 000 000) the Bid Adjudication Committee, based on the recommendations made by the Bid Evaluation Committee

may make recommendation to the Accounting Officer to approve the disposal.

- c) For disposal of an asset whose original cost 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.

## **6.10 ASSET DISPOSAL METHODS**

Asset disposal in the department shall be disposed using the following:

- a) Selling through price quotation per item,
- b) Competitive Bids: An asset at the original cost of R30 001 but not with a value exceeding R500 000 per item,
- c) Competitive Bids: An asset at the original cost exceeding R500 000 per item,
- d) Sale by tender or auction,
- e) Donation to Charities or Communities, Non-Profit Organisation,
- f) Writing off the value of goods/scraping,
- g) Optional sale of items to employees
- h) Asset Transfers between Departments and Entities,
- i) Exchanges of Assets,
- j) Trade-In, and
- k) Disposal of Asset by Third Party/ Institution

### **6.10.1 SELLING THROUGH PRICE QUOTATION PER ITEM**

An Asset at the original cost not exceeding R 30 000. An internal advert with full consideration of value for money shall be made and or published locally in a conspicuous place.

An asset/ s shall be disposed by inviting at least three written quotes, which may be submitted by:

- a) Hand
- b) Post
- c) Facsimile
- d) Email
- e) May be disposed of without competitive bid.
- f) Shall be sold to the highest bidder through the public auction
- g) May be sold to a limited bidder
- h) Assets that were procured by the NGO/NPO shall not form part of this policy and shall be dealt with in line with Non- Profit Organisations Act 71 of 1997.
- i) The relevant request shall be approved by the Head of department or her/his delegate.

#### **6.10.2 COMPETITIVE BIDS: AN ASSET AT THE ORIGINAL COST OF R30 001 BUT NOT WITH A VALUE EXCEEDING R500 000 PER ITEM**

An asset may be disposed according the 80/20 preference point system. This system shall be used to dispose of an asset at the original cost of R30 000 up to R500 000.

This preference point system shall be applied as follows:

- a) The highest acceptable quote shall score the maximum of 80 points for price.
- b) 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.
- c) 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:

- i. Is an Historically Disadvantaged Individual; and/or
- ii. Is subcontracting with an Historically Disadvantaged Individual; and/or
- iii. Achieves any of the specified goals stipulated in Regulation 17 of The Preferential Procurement Regulations, 2001.
- iv. The points awarded for Government specific goals shall be added to the points awarded for price in order to establish the final score.
- v. The quote with the highest score shall be awarded the sale.
- vi. Shall be sold in accordance with the conditions of disposal contained in this policy.

### **6.10.3 COMPETITIVE BIDS: AN ASSET AT THE ORIGINAL COST EXCEEDING R500 000 PER ITEM**

An asset shall be disposed by inviting competitive bids for all disposals above R500 000:

- a) Shall follow the Supply Chain Management Framework process that regulates bidding processes
- b) 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 R500 000.
- c) Shall be disposed to an individual or institution that is in possession of a valid tax clearance certificate.
- d) Shall be disposed according to the 90/10 preference point system. This preference point system shall be applied as follows:
  - i. The highest acceptable bid shall score the maximum of 90 points per price.
  - ii. 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.
- e) Up to a maximum of 10 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:

- i. Is an Historically Disadvantaged Individual; and/or
- ii. Is subcontracting with a Historically Disadvantaged Individual; and/or---Achieves any of the specified goals stipulated in Regulation 17 of The Preferential Procurement Regulations, 2001.
- iii. The points awarded for Government specific goals shall be added to the points awarded for price in order to establish the final score.
- iv. The bidder with the highest score shall be awarded the sale.-----This preference point system shall be applied as follows:
  - 1) The highest acceptable quote shall score the maximum of 90 points for price.
  - 2) 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.
  - 3) Up to a maximum of 10 points shall be allocated in accordance with Regulation 4 (2) of the Preferential Procurement Regulations, 2001.
  - 4) Regulation 4 (2) relates to Government specific objectives and includes contracting with a bidder

**6.10.3.1 The advertisement shall contain the following information:**

- (i) The bid number
- (ii) The closing date and the closing time of the bid are (normally 11am on the closing date)

**6.10.3.2 Where the bids must be posted or delivered to, with at least the following information:**

- i. Name of the Department
- ii. Street Address

- iii. Postal Address
- iv. Bid Box address
- v. Contact person for enquiries
- vi. Telephone number
- vii. Facsimile number
- viii. Details of the asset(s) to be sold, including:
  - a) Detailed description of the asset(s)
  - b) Address where the asset(s) may be viewed
  - c) Conditions of sale
  - d) The preference point system to be applied in the award of the bid
  - e) The validity period of the bid – this should be at least sixty (60) days to allow sufficient time for the finalization of the bid award process

### **6.10.3.3 Compile the Bid Documentation**

All bid documentation:

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

documentation

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

Shall contain the following:

- (a) The bid number
- (b) The closing date and the closing time of the bid
- (c) Invitation to Bid
- (d) Tax clearance requirements
- (e) Declaration of interest form
- (f) Asset. Relevant preference points claim form
- (g) Conditions of sale
- (h) Evaluation criteria\

#### **6.10.3.4 Manage Bid Documentation Applications**

- i. A register of all bid responses to each advertisement shall be maintained
- ii. The register shall contain the following information: The bid number

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

#### **6.10.3.5 Deviations on Awarding of Contracts**

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

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

#### **6.10.4 SALE BY TENDER OR AUCTION**

Preparation for sale will be as follows based on proper physical inspection by committee members who must be carried out on the asset to be sold to ensure that assets do not contain:

- a) Additional items not intended for sale
- b) Confidential documents (records, files, papers, etc.)
- c) External asset tags or internal tag
- d) Hazardous materials
- e) The asset sold shall be invoiced to the purchaser
- f) The Asset disposal Register shall reflect amount collected per item.
- g) The proceeds of the sale shall be banked in the Department's bank account
- h) The revenue disposal of the asset shall be surrendered to the Provincial Revenue Fund

#### **6.10.5 DONATION TO CHARITIES OR COMMUNITIES, NON-PROFIT ORGANISATION**

- a) Community groups and charitable institutions shall receive equitable treatment to avoid possible claims of bias and the minimum quantity for assets per items to be donated per charity group/Community shall not exceed ten (10) items per receiver of donation/ Charity group or Community group.
- b) This method of disposal may not be used for an asset whose life cycle has not expired with the recommendations of the Disposal Committee and written approval by the Accounting Officer shall be obtained.
- c) Donations may only be made after exploring all avenues of recouping fair market value for the Department and may be carried out at no cost.
- d) The receiver of donation shall ensure that the community group or charity is not a disguised business operation providing remuneration to its principles.
- e) The community group or charity shall remove the asset, at no cost to the Department and the departmental barcode (identification mark) shall be removed. The confirmation of receipt by the receiver shall be made available in a register form.
- f) Loccum inspection shall be conducted where there are computer systems or other assets to be donated.

#### **6.10.6 WRITING OFF THE VALUE OF GOODS/SCRAPPING**

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. Where an asset is classified as beyond economical repair the asset must be destroyed, with the destruction being witnessed by another responsible official who shall be nominated by the Disposal Committee

a) ***Scrapping through destruction or dumping***

Where an asset is classified as beyond economical repairs or obsolete and there is a possibility that no response on sales, the asset may be destroyed with the destruction being witnessed by another responsible official who shall be nominated by the Disposal Committee.

b) ***The Department shall only destroy or dump assets where:***

- (i) They cannot be refurbished
- (ii) Have no resale value
- (iii) Are non-recyclable
- (iv) Cannot be disposed of in any other way
- (v) No offer has been received and can no longer be used by the department.
- (vi) Recycling may be obtained in an appropriate company at cost where applicable however, certificate of disposal should be attached after the actual disposal has been made.
- (vii) Assets are destroyed or damaged through force majeure or any other unforeseen circumstances.

c) **Asset Written Off**

- i. The Accounting Officer may approve the write off of assets where all the necessary processes were followed including investigation.
- ii. The disposal of an asset will require the removal of the asset at the original cost of the asset, which is the net result of two accounts, namely the Cost and Accumulated

Depreciation accounts where the information is needed only for management purposes.

- iii. 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.

#### **1.1.1 OPTIONAL SALE OF ITEMS TO EMPLOYEES**

a) 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. Information Communication Technology (ICT) specialist shall issue scrap certificate to confirm condition of the computer equipment towards disposal.

#### **b) ALTERNATIVE DISPOSAL OF ICT ITEMS TO EMPLOYEES OF THE DEPARTMENT(Information Technology Equipment)**

- i. Users of the Laptops and desk top computers within the department shall be given option to purchase the above at reasonable cost based on the item life cycle. This may occur only on request as per the attached application form after the expiry of warranty.
- ii. The Head of department in other special cases may waive clause 7.7.(ii) on reasonable grounds that should be substantiated by valid evidence.
- iii. Mobile cell phones users may also be opted an opportunity on application to purchase the latter item only after the expiry of the warranty.
- iv. Information Technology (IT) Component in the case computer related items shall first issue scrap certificate as determination of non- performance of computer related item.
- v. The option for the sale of all IT to users/ employees shall only be applicable provided the ICT specialist of the department or ICT Service provider has issued scrap certificate which will also mean that the departmental information contained in the ICT item has been removed and is regarded unserviceable or obsolete.
- vi. When there is more than one offer, (intention to buy) the item shall be considered for bidding and shall be part of assets for sale to public or donation to entities. The

following shall be selling price per item:

- vii. Laptop of any model R620-00
- viii. Desk top (CPU, Monitor, key board with cables and mouse) R500-00
- ix. Mobile phone( cell phone of all types) R200-00
- x. Please note that the above tariffs will only apply on application and only after the approval has been to any employees shall takes control of the intended item for purchase.

#### **6.10.8 ASSET TRANSFERS BETWEEN DEPARTMENTS AND ENTITIES**

- a) If an asset is transferred to another department, the receiving department shall sign the transfer document.
- b) Where the asset is transferred at “no value” or “donated” to the receiving department, that asset shall be removed from the records of the Department as per the asset register value.
- c) If an asset is transferred to a Public Entity that asset will be removed from the records at the department at the no value.
- d) An assets transferred to a Public Entity shall be re-valued on receipt by the Public Entity and share capital of an equivalent value.

#### **6.10.9 EXCHANGES OF ASSETS**

- a) An asset may be acquired in exchange or part exchange for a dissimilar item of property, plant and equipment or other asset.
- b) 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.
- c) An asset may be acquired in exchange or part exchange for a dissimilar item of property, plant and equipment or other asset for the department only.
- d) 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.

- e) 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.
- f) 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.
- g) 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.

#### **6.10.10 TRADE-IN**

An asset may be traded in on new assets where the trade in offer represents a fair market value.

#### **6.10.11 DISPOSAL OF ASSET BY THIRD PARTY/ INSTITUTION**

- a) 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 the third party.
- b) The assets belonging to the NGO's/NPO's shall be dealt with in terms of NPO Act no. 71 of 1997 and do not form part of this policy.

#### **6.11 PAYMENT METHOD**

- a) The asset shall be paid for in cash or by bank guaranteed cheque prior to the successful purchaser taking delivery of such asset purchased.
- b) The purchaser shall receive receipt as proof of payment for the amount offered for the asset purchased in the sale process.
- c) Revenue collected shall be receipted by the relevant revenue collector and shall be paid

in terms of Departmental revenue policy.

- d) The amount collected shall be disclosed in the departmental financial statement.

#### **6.12 RECORDING OF ASSETS FOR DISPOSAL THROUGH SALE**

- a) The asset sold shall be invoiced to the purchaser
- b) The Asset disposal Register shall reflect amount collected per item.
- c) The proceeds of the sale shall be banked in the Department's bank account
- d) The profit on disposal of the asset shall be surrendered to the Provincial Revenue Fund

#### **6.13 EVALUATION OF THE DISPOSAL PROCESS**

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

- a) Any description of the process followed
- b) Difficulties in policy and procedure interpretation
- c) Recommendations for policy and procedure amendments
- d) 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.

#### **6.14 ASSETS STOLEN OR LOST**

The stole or lost asset shall be dealt with in term of Departmental Loss Control Management Policy.

#### **6.15. NON- PROFIT ORGANISATIONS AND NON- GOVERNMENTAL ORGANISATIONS**

Asset disposal management of Non- Profit Organisations and Non- Governmental Organisations funded by the department shall be dealt with in terms of the Non- Profit

Organisations Act 71 of 1997.

## **7. APPROVING AUTHORITY**

The Accounting Officer is responsible to approve this policy as well as any amendments or review.

## **8. ADMINISTRATION OF THIS POLICY**

The Accounting Officer has delegated all responsibility managers of the Department to enforce the implementation of this policy.

## **9. ACCOUNTABILITIES AND RESPONSIBILITIES**

### **9.1 Supply Chain Management Unit shall:**

Give guidance in line with the relevant legislation for the implementation of this policy and perform the following functions in the disposal of assets:

- a) Issue the Invitation to Bid.
- b) The bidding documents shall be compiled in at least English.
- c) The Invitation to Bid may be advertised in:
  - i. The Government Tender Bulletin.
  - ii. The relevant media to ensure the target market is reached
  - iii. The Department's website
- d) The costs of advertising shall be borne by the Department.
- e) The bids shall be advertised at least twenty one (21) days before the closing date of the bid.

### **9.2 Roles and Responsibilities of the Asset Users**

- a) All employees shall comply with asset disposal policy directives
- b) The asset user shall remain responsible for assets allocated to him or her until formerly removed from him/her possession and the asset movement form completed and signed.
- c) In the case of any change of any asset in her/his possession, the user shall be responsible to advise the Asset Management Unit for adjustment of his or her asset inventory list.
- d) Damages/losses occurred to the assets allocated shall be reported to Senior Manager: Logistics Management Unit for any processes to be followed.
- e) The user shall be responsible for reporting of lost asset to the nearest Police Station and a statement shall be made by him/her to the Senior Manager: Logistics Management Unit.
- f) Any item regarded obsolete or redundant shall be dealt with by Asset Management Unit who shall flag such items on the asset register and referred for disposal.

### **9.3 Establishment of the Disposal Committee**

- a) The Accounting Officer shall appoint the Disposal Committee in writing and shall determine the term of office of its members.
- b) A member of a Disposal Committee cannot be an official who:
  - i. Perform evaluation or conduct physical disposal (asset public auction)
  - ii. Serve on the Bid Evaluation Committee which processes quotations/bids.
  - iii. 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.

#### **9.3.1 Composition and Functioning of a Disposal Committee:**

- a) The Accounting Officer or his/her delegate shall in writing appoint the Chairperson and his or her deputy and members of the Committee with duties attached to all functions to the Committee.

- b) All members shall be required to declare their interest to all Committee Members on each meeting.
- c) The Chairperson or his deputy shall appoint Secretariat of the Asset Letting and Disposal Committee.
- d) Chairperson and or deputy Chairperson must be at a Senior Manager level.
- e) Cross-functional members of which at least 2 (two) member should be a Supply Chain Management practitioner.
- f) Assets shall be reviewed by the Committee with documental evidence.
- g) Advisors or additional officials may be co-opted on account of their specialized knowledge through appointment by the Chairperson or his/ her deputy.
- h) An Information Technology expert must deeply involve when the disposal of assets comprises computer equipment
- i) District shall be represented by an Additional Member only when its assets are to be dealt with.
- j) Only appointed Members of the Committee are allowed to sit and the quorum shall be made by members only.
- k) Member of the Committee may not fully participate in the physical asset disposal i.e. auction sale, donation, scrapping, trading in, but shall monitor the process.
- l) Sixty percent (60%) of members present shall constitute a quorum.
- m) The Code of Conduct of Disposal Committee members shall be in accordance with the prescripts applicable to supply chain management practitioners.
- n) The Accounting Officer may withdraw the membership of any member in the case of non-attendance in more than 3 successive meetings or any administrative changes to the member

### 9.3.2 Functions of a Disposal Committee

#### The Committee shall:

- a) The disposal Committee shall sit only when there is asset/s to be disposed of and shall be informed by invitation by the Asset Letting and Disposal Sub Directorate.
- b) Ensure that asset that is in working condition and of value to the department may not be considered for disposal by the Committee unless full motivation is made and verified by the committee.
- c) Facilitate the assessment of the condition of existing assets
- d) Obtain a valuation of the goods/ assets after value for money has been considered but the Accounting officer of the department may waive such recommendation.
- e) Recommend the appropriate method of disposal of the asset(s).
- f) Apply the procedure applicable to the disposal method selected.
- g) Ensure the bids are evaluated and adjudicated and are done so in accordance with the delegated levels of authority.
- h) Ensure that the asset is prepared for disposal in accordance with clause 6.8.
- i) Effect the disposal once the bid has been adjudicated and approved according to the thresholds and according to delegation of powers.
- j) Prepare the reports required in accordance with this policy.
- k) Ensure that disposals are conducted in accordance with the policies, processes and procedures contained in this document.
- l) The appointed Asset Letting and Disposal Additional Member of the Disposal Committee shall develop asset disposal data for consideration by the Central Asset Letting and Disposal Committee.
- m) The appointed Member to conduct internal public auction shall be at a level not lower

that level 7 who shall be accountable to his/ her responsibility Manager.

### **9.3.3 Bid Evaluation Committee**

The Department's Bid Evaluation Committee shall evaluate all disposals of movable assets as per clause 6.8.1 (Selling per price quotation per item), 6.8.2 Competitive Bid (An asset at the original cost of R30 001 but not exceeding R500 000 per item) and 6.8.3 Competitive bid (an asset at the original cost exceeding R500 000 per item).

#### **9.3.3.1 Functions of the Bid Evaluation Committee:**

- a) Ensure that the bid documentation complies with any predetermined condition.
- b) Ensure that the bid documentation is completed in full.
- c) Includes the preference points score sheet.
- d) Includes a valid, original tax clearance certificate when required.
- e) Is correctly signed.
- f) Ensure the bidder does not appear on the list of restricted bidders / persons.
- g) 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
- h) Score each bid in terms of price and preference points.
- i) Calculated average points will be used for final determination of scores, not consensus decisions.
- j) Rank the bids from the highest offer to the lowest offer.
- k) Shall record all the comments for each bid which shall be signed by the Chairperson of the Evaluation Committee.
- l) 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.

### 9.3.3 Bid Adjudication Committee

The Department's Bid Adjudication Committee shall adjudicate disposals of movable assets based on recommendations of the Bid Evaluation Committee and as per clause 6.8.1 (Selling per price quotation per item), Competitive Bid (An asset at the original cost of R30 001 but not exceeding R500 000 per item) and Competitive bid (an asset at the original cost exceeding R500 000 per item).

#### 9.3.4.1 The Bid Adjudication Committee shall ensure that:

- a) All the necessary bid documents have been submitted
- b) Bid disqualifications are justified.
- c) Valid and accountable reasons and motivations were furnished for passing over.
- d) Bid Scoring has been fair and consistent.
- e) Scoring has been correctly calculated and applied.
- f) Bidders' declarations of interest have been taken into cognizance.
- g) Assess the recommendation process followed to ensure that the policies have been complied with in full.
- h) The Accounting Officer may at any stage refer any recommendations made by the Bid Adjudication Committee back to that committee for reconsideration.
- i) The Bid Adjudication Committee shall submit its recommendations to the Accounting Officer for consideration and approval.
- j) 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.
- k) The Interim Bid Advisory Committee shall make recommendations to the Accounting Officer for consideration and approval.

### **9.3.3.1 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) A final award
- b) A recommendation by the Bid Adjudication Committee shall be forwarded to the Accounting Officer for a final award
- c) Make any other recommendation to the Accounting Officer on how to proceed with the relevant sale

### **9.4 The Head of Department shall:**

- a) Enforce the implementation of this policy to all employees of the department.
- b) Approve recommendations of the appointed Committee Members for the asset disposal method.

### **9.5 Financial planning and Revenue services shall be:**

- a) Responsible for the collection of revenue in the case of any sale of an asset or assets and issue receipt for payment.

### **9.6 Financial Accounting Service shall:**

- a) Provided financial information for the financial statement of the department.
- b) Render financial advice on asset disposal.

### **9.7 Line function Managers shall be:**

- i. Responsible for control and management of assets allocated to their respective Directorate or institutions.
- ii. Report in writing any deviation on asset disposal to Supply Chain Management for the attention Asset Management Unit.

## **10 EFFECTIVE DATE OF THE POLICY**

The policy shall be effective from the date of approval

## **11. PROCEDURES FOR IMPLEMENTATION**

The guidelines for implementation of this policy shall be stipulated in the Asset Disposal Procedure Manual.

## **12. MONITORING MECHANISMS**

- a) The Disposal Committee shall prepare and submit a report to the Chief Financial Officer within twenty one (21) days towards the financial year end for on asset disposal. after each disposal and this report shall contain the following:
  - i. Any description of the process followed
  - ii. Difficulties in policy and procedure interpretation
  - iii. Difficulties in policy and procedure implementation
  - iv. Recommendations for policy and procedure amendments
  - v. A Disposal Certificate of the assets disposed be signed by committee members with relevant information attached for easy reference and be sent for approval to the accounting officer.
- b) Receipt of asset disposal data from the District and confirmation of reviewal thereof.
- c) Submission of an asset disposal registers for the financial statements.
- d) Safe custody of all approved assets disposed.

## **13. REVIEW OF THE POLICY**

This policy shall be reviewed every three (3) year from its effective date to determine its effectiveness and appropriateness.

14. Policy recommendation and approval

Recommended/~~not recommended~~

  
\_\_\_\_\_

Head of Department: Department of Social Development

  
\_\_\_\_\_

Date

Approved/~~not approved~~

  
\_\_\_\_\_

Member of Executive Council: Dept. of Social Development

  
\_\_\_\_\_

Date

ANNEXURE A



Province of the  
**EASTERN CAPE**  
SOCIAL DEVELOPMENT

**APPLICATION TO PURCHASE ICT AND TELEPHONE EQUIPMENT ON END OF LIFECYCLE**

<b>NAME OF OFFICIAL:</b>	
<b>DIRECTORATE/COMPONENT:</b>	
<b>DISTRICT:</b>	
<b>PERSAL NO:</b>	

<b>PARTICULARS OF ITEM REQUIRED</b>
-------------------------------------

ITEM DESCRIPTION	MODEL	BARCODE	LIFESTYLE	USER

I .....hereby commit myself to purchase the above item as user or interested party

**METHOD OF PAYMENT**

Direct Debit on my salary Yes/no: .....Cash payment Yes/no: ..... Other payment: .....

Applicant Initial & Surname: ..... Signature: ..... Date: .....

**CONFIRMED BY: (FINANCIAL ACCOUNTING)**

Name of Official confirming..... Signature..... Date: .....

**CONFIRMED BY: (ASSET MANAGEMENT/FACILITIES)**

I .....hereby confirm that the above item appear on the Departmental Asset Register and the lifecycle has actually expired.

Name of Official confirming..... Signature..... Date: .....

Recommend/ not recommend:

Comments:

.....  
.....

Name of Official confirming..... Signature..... Date: .....

Asset Letting and Disposal: Recommend/ Not recommend:

Comments:

.....  
.....  
.....

Senior Manager: Logistics..... Signature..... Date: .....

Recommend/ not recommended

Comments:

.....  
.....  
.....

General Manager SCMU ..... Signature..... Date: .....

Recommend/ not recommend

Comments:

.....  
.....  
.....

Chief Financial Officer ..... Signature..... Date: .....

Approve/ not approved

Comments:

.....  
.....  
.....

Head of Department ..... Signature..... Date: .....

## ANNEXURE B

Furniture and fittings shall include but not limited to:

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

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.

Computer equipment shall include but not limited to:

- j) Desktop computers
- k) Notebooks
- l) Laptops
- m) Printers
- n) Data projectors
- o) Computer monitors
- p) Computer spares
- q) Hard drives
- r) Mouse

- s) Keyboards
- t) Computer speakers
- u) Printers
  
- 1) 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) Mobile phones
  - r) Photo copiers owned by the department
- 2) Motor vehicles shall include but not limited to:

- a) Sedans
  - b) Light Delivery Vehicles
  - c) Trailers
  - d) Caravans
  - e) 4x4 Vehicles
  - f) Passenger vehicle more than 6
- 3) Wood work shall include not limited to:
- a) table
  - b) chairs
  - c) cupboards
  - d) benches
  - e) all products made from wood as a result of training shall be classified as inventory items
- 4) Steel works shall include not limited to:
- a) Burglar bars various types
  - b) braai stands
  - c) all steel works made from steel shall be classified as inventory items
- 5) Linen and wool works shall include not limited
- a) men shirts or female blowsy
  - b) jerseys
  - c) pair of trousers
  - d) Pillow cases
  - e) all wool and linen products made from the above shall be classified as inventory items

