DIT Procurement Governance & Policy
PR124 Asset Disposal Policy

Government of South Australia
Department for Infrastructure and Transport

PURPOSE

This policy provides a clear framework for the salvage and disposal of Department-owned assets (excluding real property i.e. land and buildings), which are obsolete, end of life or surplus to requirement.

SCOPE

This guideline applies to all Departmental goods and assets which may be surplus to requirements, except *Real Property* which is guided by DPC Circular 114.

GUIDING PRINCIPLES

The disposal process should aim to obtain the best possible return for any surplus goods. In addition to price, the process chosen must consider perception of the ethical disposal of public assets and utilise the most transparent and competitive approach. This policy should be read in conjunction with:

- The Department's Financial Policy 022(FP022) - Asset Disposal, Transfer, and Impairments.
- eGADS, Delegations and Authorisations Framework - FIN42.
- State Procurement Board Disposal Guideline.

POLICY STATEMENT

The asset disposal process incorporates a number of distinct stages, which must be followed to correctly dispose of an asset. The stages are:

1. Decision to Dispose
2. Estimation of Value
3. Selection of Appropriate Disposal Method
4. Obtain Approval
5. Undertake Disposal.

1. Decision to Dispose

The decision to dispose of a Departmental asset is justifiable where one of the following situations exists:

- asset is no longer required or is surplus to needs
- asset is unserviceable
- asset is obsolete from a technical perspective
- asset is part of an asset replacement program
- asset has reached an optimal selling time.

2. Estimation of Value

Prior to selecting a method of disposal you must determine the estimated market value of the asset(s) in its current second-hand condition. Determining the approximate market value will assist in selecting an appropriate method of disposal.

In estimating the market value of assets, the costs of disposal (for example, transport, auction fees, commission, evaluation resources) as well as the costs of not disposing of the goods (for example, continuing storage costs) must be considered. Where assets are thought to be valued close to or above $10,000 a professional valuation must be undertaken.

Additionally, where the initial purchase cost of individual asset is deemed to be more than $10,000, the Asset Accounting Unit within the Finance and Risk Directorate should be contacted to obtain the assets' estimated book value.

3. Selection of Appropriate Disposal Method

The Department's social, economic and environmental policy objectives and the promotion of fair, ethical and effective competition should also be considered when determining the disposal method.

Acceptable methods of salvage and disposal include: written quote, tender (on S.A. Tenders), public auction, donation, trade-in, or destruction/recycling. Transfer between government agencies is also encouraged where possible. When determining the disposal method, the business unit may contact the Procurement and Contracting Directorate for specific advice on the most appropriate disposal method.

Under *no circumstance* is it permissible for Departmental goods or assets to be sold to Departmental employees outside of one of the *competitive* processes detailed below.

Goods that are known to be faulty must not be sold unless with an express, complete and documented disclosure of the fault.

All information and communication technology (ICT) assets, incidental of value, including desktop computers and accessories, laptops, tablets, smart phones, photocopiers, printers, scanners and hard drives must be referred to ICT Operational and Solution Services Section for disposal.

<u>Public Auction</u>

Public auction is the Department's preferred method of disposal, offering the most opportunity for public participation. The cost of transport and auction fees should be taken into consideration before selecting this option for disposal. The across government contract for auction houses no longer exists. Business sections may engage auctioneering services independently as required.

Donation

Assets may be donated to non-profit organisations where they have been declared surplus, have little or no resale value or where it is uneconomical to dispose of through a sale process. You must first consider any government donation programs in place. Liability does not necessarily transfer at point of donation therefore advice must be sought from Risk and Assurance prior to donation and this must be documented in your disposal plan.

Written Quote

Disposal by written quotes may be sought from relevant buyers. Where quotes are sought the process must be carried out in the same spirit as a competitive invitation to supply process (with a minimum of one quote up to $33,000, three quotes up to $220,000 and five quotes up to $550,000), and which must be recorded and documented in a Disposal Plan (PR124-2).

Tender

Disposal by public tender is a cost effective transparent process that should be used for high value or specialised goods. Relevant potential bidders should be contacted and notified of a pending tender process.

Trade-In

Trade-in may be used where the opportunity exists. Prior to deciding whether to trade-in goods, public authorities should consider the value that would be achieved through the sale of the surplus goods, and the purchase of updated equipment separately.

Destruction / Recycling

Managers must consider that dumping may attract public scrutiny and criticism by the media if the process appears to be wasteful, hazardous or environmentally undesirable. Destruction / recycling may be used as a last resort where assets have no value, are unserviceable or beyond economic repair, and where the disposal cost is higher than any possible return. Sale as scrap may be used; the number of quotations sought should align with the number required for a procurement of the same approximate value (refer PR100).

4. Obtaining Approval

Key decisions, data and discussions during the disposal process must be documented in a Disposal Plan, including the reason for disposal, chosen method of disposal, and a risk assessment of the chosen method of disposal. Accurate and detailed records must be kept in KNet to enable subsequent reviews and audits to understand the justification for key decisions. Depending on the complexity, risk and value of the disposal, a Disposal Contract may be appropriate. If so, the relevant manager should contact the relevant contract formation team for either an appropriate disposal contract template, or approval to engage the Crown Solicitor's Office to draft a bespoke disposal contract.

Disposal plans must be endorsed by the manager responsible for the asset and approved by the relevant delegate, aligned with eGADS delegation FIN42. Approval authority is based on the estimated gross market value of the disposal (i.e. before taking into account any related disposal costs and expenses).

5. Undertake Disposal

Upon approval you may proceed with the disposal. You must ensure that potential purchasers are aware that the Department provides no warranty as to the condition of the surplus goods it sells. A standard disclaimer of warranty clause for this purpose is provided in **Annexure 1**. It is important that the buyer sign the disclaimer to demonstrate consent to its terms. As part of financial compliance requirement, when asset initial acquisition cost is deemed to be more than $10,000, asset disposal form should be completed together with the approved disposal plan and sent to Asset accounting unit-finance (Asset AccountingFinance@sa.gov.au).

DEFINITIONS

Responsible Manager – The individual or direct line manager responsible for the asset in question.

All definitions not specific to this policy are available in the Procurement Governance & Policy Glossary of Terms. Defined terms are in italics.

REFERENCES AND RELATED DOCUMENTS

State Procurement Board Disposal Guideline

The Department's Financial Policy 022(FP022) - Asset Disposal, Transfer, and Impairments.

DOCUMENT APPROVAL

Approval Date:	5 December 2019
Review Date:	5 December 2022
Policy Contact Officer:	Team Leader Policy
Policy Custodian:	Manager Procurement Governance & Policy
Division:	Finance and Procurement
Policy Owner:	Chief Executive

ANNEXURE 1

Standard Disclaimer

1. Subject to clause 2, the buyer expressly acknowledges and agrees that:

    a) the seller is not liable for any claims or damages arising from the sale including, but not limited to, claims for faulty design, negligence or misleading advice, damages arising from loss or use of goods, and any indirect, special or consequential damage or injury to any person

    b) the seller does not make any express or implied representation or warranty regarding the goods or any matter which is or might be relevant to the buyer buying or selling the goods

    c) all warranties, terms and conditions in relation to the state, quality or fitness of the goods and of every other kind are excluded

    d) the buyer has been given the opportunity to conduct a thorough examination of the goods

    e) the buyer has not made known to the seller expressly or impliedly any particular purpose for which it wishes to acquire the goods.

2. This disclaimer does not exclude or restrict any condition, warranty, right or remedy expressly given by statute, however, all terms and conditions implied by law are expressly excluded.