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**Guidelines**

*for*

**Disposal of Goods & Equipment**

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Public Procurement  
Authority

Accra, Ghana

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## **Preface**

Procurement and disposal of goods and equipment by Procurement Entities under projects financed from Public Funds of the Republic of Ghana, are carried out in accordance with the procedures laid down in the Public Procurement Act, 2003 Act (Act 663) as amended by the Public Procurement (Amendment) Act, 2016 (Act 914).

Each year, the Government of Ghana spends 18.2% to 25.5% of the country's Gross Domestic Product (GDP) on goods, services and works to assist in the effective delivery of services to the citizenry. A significant proportion of this expenditure is made on goods, many of which need to be disposed of when they become surplus to requirements. The expectation is therefore that procurement entities dispose of these goods in a manner that is efficient, consistent, equitable and seeks to achieve value for money in accordance with the principles of the Public Procurement Act as well as the Financial Administration Act.

In order to achieve this goal and provide the best possible outcome to the people of Ghana, Procurement Entities should:

1. achieve the best available net return when selling;
2. appropriately handle goods that require special consideration in their disposal;
3. ensure that all disposal dealings are undertaken in a fair, transparent and accountable manner.

In addition, although open and effective competition should be sought at all times when disposing of goods, the effort involved in achieving this should be commensurate with the value of the goods being disposed of.

These Guidelines are designed to assist Procurement Entities to dispose of their surplus goods in an efficient, consistent, equitable and accountable manner. The Guidelines provide practical information on how to manage the disposal process and select the most appropriate disposal option.

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## **1. General**

**1.1** The purpose of this publication is to provide the means for the disposal of goods and equipment.

**1.2** The aim is to achieve the best possible outcome by gaining the best available net return when selling and to ensure that Procurement Entities are even-handed, transparent and honest in all dealings.

**1.3** The best value outcome to the Entity must be a major consideration when disposing of assets.

**1.4** Asset disposal decisions, and the reasons for taking them, should be documented. Not only does this assist in audit and other examinations, but it highlights successes and problems for future reference.

**1.5** Non-disposal of obsolete equipment only takes up space and deprives the Government of Ghana of income without any offsetting benefit. Procurement Entities are therefore encouraged to dispose of such equipment but should only be disposed of consistent with the processes set out in section 5.

**1.6** Disposal should be based on a fair market value for each surplus item. The price established will be based on current market value and condition of the equipment.

**1.7** Consideration has been given to identifying the risks and the areas most susceptible to fraud and the guidelines are designed to be consistent with fraud prevention measures.

**1.8** In the interest of promoting probity, fair dealing and transparency, Procurement Entities must not sell or otherwise transfer surplus assets to staff (or their relatives or friends) unless arising from a public competitive process i.e. tendering or advertised sale which is open to the public. Where a member of the public and the staff member offer an equal price, the item must be sold to a member of the public. The sale price must be the best market price and under no circumstances may goods be donated to staff.

**1.9** Many decisions in the disposal process require an assessment of the market value of an item. Such assessments should be undertaken by the Head of the Procurement Entities upon competent technical advice. The Head should take into consideration the original purchase price, the age of the equipment, depreciation, an assessment of the usefulness of the equipment and of its possible market value. Consultations with relevant departments are strongly recommended as Heads are accountable for asset disposal decisions.

**1.10** The policy is consistent with the requirements of the Public Procurement Act, 2003 (Act 663) as amended, Public Financial Management Act, 2016, Act 921 and Internal Audit Agency Act, 2003 (Act 2003) and other relevant regulatory requirements.

## **2. Definitions**

'Stores' applies to the terms 'asset(s)', 'stores', 'item(s)', 'equipment', 'furnishings' and 'goods' as used throughout this document and refers to an item with a useful life greater than 3 years or an original purchase value of up to GHS (.....insert) It does not include buildings or other forms of fixed assets but may include building fittings.

'Entity' means Procurement Entity

'Head of Entity' means in relation to

- (i) the central management agencies and Ministries, the sector Minister;
- (ii) subverted agencies, the Director-General, Executive Director, Secretary or Chief Executive;
- (iii) the Regional Co-ordinating Councils, the Regional Minister;
- (iv) the District Assemblies, the District Chief Executive;
- (v) State Owned Enterprises, the sector Minister

'Market Value' means the value of an item in the market place and is regardless of its initial purchase price or residual value.

## **3. Reasons for disposal**

**Items can be available for disposal because they are:**

1. required to be disposed of under a particular policy;
2. no longer required due to changed procedures, functions or usage patterns;
3. occupying storage space and not being needed in the foreseeable future;
4. reaching their optimum selling time to maximise returns;
5. no longer complying with occupational health and safety standards;
6. found to contain hazardous materials; and/or
7. beyond repair but able to be sold for scrap.
8. reaching stage in life where cost of maintenance too high.

## **4. Authority to dispose**

In accordance with the provisions of the Public Procurement Act, 2003(Act 663) as amended.

- (i) The Head of a Procurement Entity shall convene a Board of Survey comprising representatives of departments with unserviceable vehicles, obsolete or surplus stores, plant and equipment which shall report on the items and subject to a technical report on them, recommend the best method of disposal after the officer in charge has completed a Board of Survey form.
- (ii) The Board of Survey's recommendations shall be approved by the Head of the procurement entity and the items shall be disposed of as approved.
- (iii) Where items become unserviceable for reasons other than fair wear and tear, such as through accident or expiry, a set procedure established by the Board for handling losses shall be followed before the items are boarded and disposed of.

- (iv) The Minister shall, in consultation with the Authority, make further Regulations on the disposal of vehicles, unserviceable stores and obsolete equipment.
- (v) The Board of Survey shall issue detailed instructions and policy guidelines related to the disposal of vehicles, unserviceable stores and obsolete equipment.

#### **4.1 Board of Survey**

A Board of Survey is a tool to be employed to identify assets for disposal. It must be appointed by the Head of Entity. It must consist of at least three persons, comprising at least one member who will have a technical knowledge of the property being considered and a Chairperson, who should not be directly associated with the assets listed for review.

The Board's functions should include:

- carry out a physical inspection of the item(s)
- assess costs and benefits of disposal options
- recommend the best disposal option
- identify storage and transport issues
- complete a 'Disposal Form' and obtain appropriate approval
- undertake disposal process
- evaluate and review disposal process
- Approval for any disposal action should be obtained prior to undertaking such action;

In line with the above, Heads of Entities should be aware that:

- a) each entity is responsible for managing the disposal of its surplus assets;
- b) they are accountable for all decisions taken during the disposal process;
- c) they should take into account the costs of undertaking disposal activities;
- d) proper accounting and audit procedures should be observed and all decisions documented;
- e) agents engaged to undertake selling activities need clear instructions;
- f) special consideration should be given to items of potentially hazardous and pollutant stores likely to have an impact on the environment.

#### **5. Disposal Options**

Disposal of obsolete and surplus items shall be by

- (i) transfer to government departments or other public entities, with or without financial adjustment;
- (ii) sale by public tender to the highest tenderer, subject to reserve price;
- (iii) sale by public auction, subject to a reserve price; or
- (iv) destruction, dumping, or burying as appropriate.

Choice of the most appropriate disposal option will normally be influenced by the nature of the goods for disposal and by their location and market value.

In all cases, assets disposed of must be reported and subsequently removed from the asset register.

A more detailed description of each disposal option is set out below:

## **5.1 Tender**

Tendering procedures for disposal are detailed in section 7 below.

Items with an initial cost of GHS50m or more must be disposed of by public tender unless the item is more than 10 years old.

Other items may be disposed of by tender where the items are known to have a market value but the amount is unclear.

Tendering is the most expensive disposal procedure and should only be undertaken where there is a clear net return to the Entity from such a process.

## **5.2 Sale**

Sale involves assigning a price to the item(s) and publicising the items availability for sale and the price in a suitable manner. This may range from a newspaper advertisement to a general email notice.

To ensure a fair price is paid, an independent person (outside the Entity concerned and with appropriate expertise e.g. Information Technology Services in the case of computers) should be involved and confirm that the sale price is appropriate.

Prospective buyers should be given adequate opportunity to inspect the goods prior to sale. Collection or forwarding of the goods is normally contingent on the presentation to the Entity of evidence of payment of the sale price. The item may on receipt of an offer, be sold to the first person to make such an offer.

## **5.3 Public Auction**

An Entity may in some circumstances engage an agent (auctioneer) to undertake the disposal by public auction.

Where an auctioneer is to undertake sales on behalf of the Entity by public auction, it is important to advise the auctioneer, in writing, of the Entity's instructions relating to the sale. Information might include timeframe for sale, target revenue, condition and location of assets, reserve price, and end-user restrictions.

This advice is the formal agreement or contract with the auctioneer and constitutes the authority for the auctioneer to undertake the sale in accordance with the Entity's requirements. The advice should be signed by the Head of Entity.

## **5.5 Transfer to another Procurement Entity**

In some cases, an Entity may have no use for an asset but may be of value to another Entity. In such case, the asset may, with the agreement of both Entities be transferred. Such transfer may be at no cost to either Entity or entail a fee or price negotiated by the two Entities concerned.

When evaluating the appropriateness of this option, it is important to consider whether the surplus goods can be of use to another procurement entity. This means that the seller of the goods must begin looking for potential buyers as soon as it is known that they will be surplus.

It should be noted that some procurement entities might have indicated an interest in certain types of surplus goods. One such example is a desire to obtain information technology equipment for educational purposes.

If a procurement entity has a preference for a particular surplus item, they need to promote this intention themselves and ensure that the arrangement is effectively managed. If an appropriate opportunity arises, entities are encouraged to consider this option and contact the relevant procurement entity.

## **5.6 Destroyed or Cannibalised Plant and Equipment**

Items with no market value and no use to any other Entity may be destroyed in an appropriate and safe manner.

An 'Asset Disposal' Form must be completed and authorised by the Head of Entity and forwarded for updating the assets register

## **6 General Procedures for Disposal of Assets**

Annex A presents a flowchart for the asset disposal process. The key actions with their associated checklists are detailed as follows:

### **6.1 Determine the market value of the asset**

Valuation can play an important part in the effective and efficient disposal of goods as it provides an important reference point to help procurement entities select the most appropriate disposal option.

The most accurate determination of value is always what the competitive market is prepared to pay. In addition to this, there are a number of agents who could provide procurement entities with expert valuations to ensure that the seller's expectations from sales are realistic. It is suggested, however, that entities only engage the services of an agent if the goods are of sufficient value.

It is important to be aware that in some cases, valuers may apportion a value on a good that is based on their replacement cost (for insurance purposes). It should be recognised that this value will often be considerably more than what will eventually be realised at sale. Alternatively, valuers can claim that goods have nil book value after depreciation when in fact they could realise a considerable sum at sale. It is therefore recommended that entities identify an appropriate type of valuation and instruct the valuer accordingly.

The basis for evaluation should always be market value taking into account that assets should be sold 'as is, where is' without warranties.



## 6.2 Evaluate the best disposal option

When selecting the most appropriate method of disposal, it is important that procurement entities carefully evaluate each option. This can be achieved by identifying the costs and benefits of each option and linking them to the particular requirements of the disposal.

Procurement Entities are encouraged to plan their evaluation carefully, and employ tools that enable a systematic examination of each option (i.e. table, matrix). To assist the evaluation, there are a number of costs and benefits that have already been identified. These are listed in Table 1.

*Table 1: Disposal method matrix\**

<b>BENEFITS</b>	<b>COSTS</b>
Transfer <ul style="list-style-type: none"> <li>▪ Achieves market price</li> <li>▪ Achieves value for money</li> <li>▪ Enables efficient disposal</li> <li>▪ Process is transparent</li> </ul>	<ul style="list-style-type: none"> <li>▪ May not achieve maximum price</li> <li>▪ Requires considerable effort</li> </ul>
Inviting Competitive Offers <ul style="list-style-type: none"> <li>▪ Achieves value for money</li> <li>▪ Process is transparent</li> <li>▪ Process is open and competitive</li> <li>▪ Achieves maximum return</li> <li>▪ Tenderers may be vetted</li> </ul>	<ul style="list-style-type: none"> <li>▪ Resource intensive</li> <li>▪ Requires advertising</li> <li>▪ Delays may result from appeals or a failure to finalise purchase</li> </ul>
Auction <ul style="list-style-type: none"> <li>▪ Enables efficient disposal</li> <li>▪ Process is open and competitive</li> <li>▪ Achieves maximum return</li> <li>▪ Costs are known prior to disposal</li> <li>▪ Procurement entity uses minimal resources</li> <li>▪ Effective disposal for spare parts, scrap</li> </ul>	<ul style="list-style-type: none"> <li>▪ Requires transporting goods to auction</li> <li>▪ May take considerable time to dispose of goods or may be left with undisposed goods</li> <li>▪ Items may not be shown at real value</li> <li>▪ Buyers may enter into anti-competitive practices</li> <li>▪ No control over who purchases goods</li> </ul>

*\* Please note that this list is not definitive and the benefits and costs identified are not exclusive to each option. Procurement entities are encouraged to add to it over time*

## 6.3 Selection of Preferred Disposal Option

When selecting the preferred option for disposal, it is important to consider a range of factors that will impact on the disposal process. This requires the disposal to be carefully planned, allowing each option to be properly evaluated.

Factors to consider include:

- a) the type and condition of the surplus goods;
- b) whether there have been any offers from other public authorities;
- c) the nature of the recipient market;

- d) time and resource issues;
- e) the costs and benefits provided by each disposal option.

#### **6.4 Preparation of Goods for Disposal**

Procurement Entities should ensure that goods for disposal do not contain material that is not intended for disposal. In order to avoid embarrassment or legal liability, it is important to ensure that all appropriate checks are made.

A failure to do this could result in:

- a) material being misused or used for fraudulent purposes;
- b) classified information being leaked;
- c) privacy legislation being breached.

Material that should be cleared includes stationery (particularly printed stationery), computer software, records, files, papers, whiteboards and hazardous stores.

Ensuring that surplus goods prepared for disposal have been properly cleared will help maintain the integrity of the procurement entity and the Government in general.

It may also be beneficial to perform minor repairs on some goods prior to their disposal. This decision should be based on whether it will make the goods more saleable and provide an increase in the return that is greater than the cost required to perform the repairs.

Finally, it is important that goods are kept in a secure location and not used following inspection. This will ensure that goods maintain their condition, reducing the likelihood of complaints from tenderers.

#### **6.5 Disposal of Goods**

Once a procurement entity has selected the preferred option and made all necessary arrangements, the goods may be disposed off. It is important that the entity manages the disposal process effectively, ensuring that responsible officers or service providers undertake the disposal in the manner prescribed.

It is also important that the entity properly accounts for all disposals in the asset register.

#### **6.6 Treatment of Revenue from Disposals**

Proceeds from the disposal of goods by sale should be dealt with as per the *Public Financial Management Act, 2016, Act 921 and the Internal Audit Agency Act, 2003 (Act 658) and other relevant regulatory requirements.*

#### **6.7 Review of Disposal Process**

To ensure that disposals are undertaken in an efficient, consistent and equitable manner, it is important that procurement entities evaluate the process and outcome of each disposal. This should be undertaken at a level that is commensurate with the value and complexity of the

disposal. Evaluation enables performance to be measured against government disposal goals and assists entities in seeking continuous improvement.

## **7. Procedures for Tendering for Disposal of Assets**

The following should also be regarded as guidelines for procurement entities wishing to offer goods or equipment for tender:

**7.1** The Head of Entity shall approve the Board of Survey's recommendation giving full details and specifications for the goods offered for tender.

**7.2** Tenders shall be advertised by the Entity according to the level of exposure the Entity Head deems appropriate with the aim of delivering the best net result for the Entity. Notification of the tender should be advertised in the National Dailies and other newspapers and publications that may attract interest in the items for tender.

**7.3** Tenders submitted by interested parties shall be held in the Tender Box in the Entity's offices until the closing date.

**7.4** Tenders shall be opened by a Tender Evaluation Committee. A tender evaluation committee shall consist of 3 people including the Head of Entity, a representative of the user-department and a senior public servant from outside the Entity.

The details of each quotation submitted shall be date stamped and recorded. The evaluation shall then be carried out and the results recorded.

**7.5** The successful Tenderer shall be notified in writing.

**7.6** The Accounts Department of the Entity shall be notified of the sale in a specified format giving full details of the goods tendered, the name of the successful Tenderer and the account number the money shall be paid into. The Asset Register for that item shall be amended accordingly by the Entity.

## **8. Special Provisions Relating to IT Equipment**

**8.1** Because of the rate of change in technology equipment, large numbers of machines become obsolete on a regular basis and most machines have no residual value after a 3-5 year period of use.

**8.3** Machines and equipment certified by the Entity to be obsolete and to have no residual and no market value shall be disposed in the most cost effective manner.

**8.4** Generally, donation of the equipment is the recommended approach as some community service organisation may be able to extract some value from the equipment.

No liability for such goods shall be accepted by the Entity.

## **9. Other Issues**

### **9.1 Entity liability**

The Entity shall offer no warranty on the condition of the goods it sells. The request for tender, auction catalogues or any other sales documentation should provide as full a description of the items as possible, specify that goods are sold 'ex works' or 'as is, where is', and invite prospective buyers to inspect the goods before the sale.

Where there are faults or wear or some other flaw in the item being disposed of, these must be clearly stated to any prospective buyer.

The documentation must advise that the Entity will not admit any claims on the grounds of defective goods, misdescription or error in quantity. A buyer may, however, lodge a claim for a pro rata adjustment of the purchase price should there be a deficiency between the quantity of goods described and those available at the time of delivery.

### **9.4 Revenue from sales**

In general, the proceeds from sales shall be handled in accordance with the Public Financial Management Act, 2016, Act 921 and the Internal Audit Agency Act, 2003 (Act 658). If an agreement for the retention of such revenue has been entered into, then the receipts are to be handled in accordance with the terms of that agreement.

In some cases the Entity may not be able to arrange disposal of some equipment unless the donor agrees or the Entity may be required to pay the proceeds to that donor. The responsibility lies with the Entity arranging disposal to meet all such requirements.

### **9.3 Lost or Stolen Plant and Equipment**

Lost or stolen plant and equipment must be reported to the Head of Entity immediately the situation is discovered. The Head of Entity shall ensure that the incident is recorded and an investigation is conducted. Where appropriate the Head of Entity will ensure that these matters are reported to the police.

Insurance claims are initiated as a separate event. Subsequently, an 'Asset Disposal' form will be required to update the asset register. Additional reporting may be required in the event of large and/or frequent losses.

### **9.5 Unintentional Loss**

Entities should check that assets for disposal do not contain material that is not intended for disposal. By neglecting to make appropriate checks Entities may be embarrassed later. Examples of material that should be cleared from assets before disposal are:

- a) stationery-particularly printed stationery, which could be misused, or used for fraudulent purposes;
- b) software, the unauthorised movement of which could breach licence agreements;
- c) records, files, papers or whiteboards containing information which, if disclosed, could breach privacy legislation; and
- d) hazardous stores, the transfer of which could create legal liabilities

## THE DISPOSAL PROCESS FLOWCHART

