



Disposal of assets

In this advisory:

This advice highlights the risks and offences relating to disposal of assets within a public authority. It covers:

- Risk factors
- Corruption offences
- Strategies to prevent corruption
- Further information and resources

Introduction

Public sector assets are public resources provided to help employees do their jobs and to make the work of serving the community more efficient and effective. This is why the [Public Sector Ethics Act 1994](#) and the [Financial and Performance Management Standard 2009](#) require agencies to ensure they have measures to deliver efficient, effective and economical management of agency financial, tangible and intangible assets,¹ and that public officials are accountable for this.²

An asset is defined by Queensland Treasury as “a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.”³

This includes items such as vehicles, computers, mobile phones, furniture, and public records, as well as items awaiting disposal and scrap materials.

Poor management of assets can be a breach of the public trust and intentional misuse of assets may constitute corrupt conduct.

Disposal of assets is an area where the risk of corruption is high. If employees trade, sell, or give away assets without authority, to benefit themselves or another person rather than in the public interest, they are committing a criminal offence.

Managers at all levels must exercise strong ethical leadership, oversight and vigilance to manage resources effectively and economically to minimise the risk of corruption.

1 *Public Sector Ethics Act 1994* s. 7(c)

2 *Ibid*, s. 9

3 Queensland Treasury and Trade, *NCAP 1 Recognition of assets*, December 2014; www.treasury.qld.gov.au/publications-resources/non-current-asset-policies/ncap-1-recognition-of-assets.pdf

Risk factors

Areas of risk include:

Failure to recognise materials and assets as having value

- Failure to recognise the value in scrap and by-product materials
- Failure to recognise that used or surplus assets, and items or materials awaiting disposal, retain value.

Absent or unclear policies and procedures

- A lack of clear policies and procedures related to transitioning an asset from current to obsolete
- A lack of clear policies and procedures on the disposal of obsolete assets even if they are not being replaced.

Inadequate and ineffective internal controls

- Inadequate procedures, controls and storage arrangements
- Weaknesses in inventory controls over spares and parts
- Lack of security and vigilance over used assets and scrap that still retain some value.

Lack of transparency and effectiveness of procurement activities

- Ordering or purchasing supplies at quantities that exceed need, thereby creating a pool of useable surplus supplies inviting inappropriate disposal that advantages the purchasing officer
- Procurement procedures that allow the removal of excess inventories, decommissioned or obsolete assets and waste for less than their true value or for non-work related purposes
- Contracts with dealers for scrap disposal that are ambiguous and/or not properly managed.

Lack of accountability of management practices

- Ad hoc and unauthorised changes to normal job procedures
- Toleration of misappropriation because “it’s always been the practice” or “this isn’t needed now”
- Lack of action on risks identified in audits.

Integrity of management and staff attitudes

- Extra scrap generated when the proceeds are seen as “going to a good cause” (such as a staff social club)
- Early retirement or disposal of items to shift the asset into scrap
- Lack of staff commitment to policies and procedures, such as an asset retention and disposal schedule, for the appropriate disposal of obsolete assets and scrap
- Manipulation or circumvention of procedures by staff with corrupt intent.

Corruption offences

Code of conduct

Misuse of official resources is a breach of your organisation’s Code of conduct and/or policies, and may result in disciplinary action, up to and including dismissal.

Criminal offence

If the misuse includes corrupt conduct or a criminal offence (such as theft or fraud) an officer can be charged under the Queensland *Criminal Code Act 1899* for offences including official corruption,⁴ computer hacking/misuse, misconduct in relation to public office, or abuse of authority. A conviction for these offences carry various penalties of imprisonment of up to 10 years.

⁴ *Criminal Code Act 1899* s. 87

Disposal of obsolete assets

The Director-General or Chief Executive Officer of a public sector organisation, or their delegate, are the only people who can authorise the sale, trade or destruction of government resources.

An agency may dispose of an asset if it:

- no longer complies with work health and safety standards
- has been superseded by a new technology, design or functionality
- is no longer required because of changed procedures, functions or usage patterns
- is reaching optimum selling time which will maximise returns
- is beyond repair but can be sold for scrap
- is in storage and will not be used in the foreseeable future
- can be recycled more economically than it can be stored.

Even though any of the above may apply, the asset may still have value and is still owned by the organisation, and must be managed as a public resource in the public interest until its disposal.

Disposal of obsolete assets poses the most significant risk of corrupt conduct. As obsolete assets are often not accounted for once they are removed from the assets register and an organisation has acquired new assets they can be:

- taken by employees for their own personal use
- given to another party (whether for a benefit or not)
- sold or traded for a personal gain or benefit; or
- sold or traded to benefit a work related social group (e.g. a social club or Christmas party fund).

The unauthorised use of obsolete assets or scrap for the benefit of a work-related group (such as a social club) is stealing and is not acceptable under any circumstances.

Strategies to prevent corruption

The most appropriate way to manage obsolete assets is to:

- maintain an obsolete or scrap assets inventory register that accounts for them from the time they are declared to be obsolete and written off through to disposal
- conduct regular stock-takes verifying the physical stocks of obsolete or scrap inventory against the register
- conduct investigations into anomalies arising from the stock-take
- report losses as required by your legislation and to the CCC if corrupt conduct is suspected.⁵

The [Financial and Performance Management Standard 2009](#) specifically requires departments and statutory bodies to implement an asset management system which provides for identifying, acquiring, managing, disposing of, valuing, recording and writing off assets.⁶

⁵ *Local Government Regulation s. 307A, and Financial and Performance Management Standard 2009 ss. 21-22*

⁶ *Financial and Performance Management Standard s. 23*

The [Local Government Act 2009](#) requires local governments to ensure sustainable development and management of assets and infrastructure, and delivery of effective services,⁷ and to develop and maintain asset registers,⁸ which must include its non-current physical assets.⁹

The risk of corruption related to disposal of assets in agencies can be minimised by documenting their status and location and the planned disposal technique. Accounting for new or obsolete assets (including documenting whether they are allocated to individuals, teams or departments) reduces the risk of their being taken for personal gain. This principle applies equally to tangible assets, such as vehicles or equipment, as well as intangible assets such as information stored electronically or in paper-based systems.

Disposal of scrap

In the course of day to day work, public sector agencies produce various types of scrap, surplus materials, low-value materials and waste. This can include the following:

Type of item	Examples
Consumable materials	Sand, gravel, cement, chemicals, paint, ink, insecticides, turf, hardware items
Off-cut materials	Pipe, electrical cables, sheet metal or rods, timber
Surplus materials costed to, but not used on, a project	Timber, plumbing fittings, blank DVDs
Recyclable waste products	Old fuels, oils, lubricants, solvents
Recyclable metals	Steel posts, plumbing brass, aluminium
Packaging and storage items	Reusable plastic, metal containers
Items that are regularly replaced	Railway sleepers, telegraph poles, paving stones, tyres
Perishable items past use-by dates	Foodstuffs, or pharmaceuticals such as first aid or medical supplies. Items that are approaching or past their use-by date may not have value to the organisation, however are valuable on a black market.
Items deemed obsolete due to changes in technology	Mobile phones, video equipment, IT equipment including software or hardware
Items in perfect condition, but deemed unusable	Out-of-date promotional items, presentation folders, publications, stationery
Damaged, inefficient or non-working items considered uneconomical to repair	Furniture, office fittings, IT equipment, seconds, fittings made to incorrect measurements, items made from flawed materials, books with printing errors
Attractive items of such low value that they are not on asset registers	Cameras, calculators, electrical hand tools, musical equipment, minor surgical implements, teaching aids
Assets that were of high value that have now diminished in value	Computers, printers, audiovisual equipment, refrigerators, microwave ovens, hardware, electrical equipment

⁷ *Local Government Act 2009* s. 4(2)(b)

⁸ *Ibid*, s.104(5)(b)

⁹ *Ibid*, s. 108

Once an item is removed from the assets register and from a work-place it is sometimes difficult to know who owns and is responsible for the scrap items, particularly if an organisation does not appear to ascribe value to them. To clarify this issue: obsolete items and scrap are assets because they have value, and all assets and materials purchased by a government organisation remain the property of the government, regardless of their condition, and must be used for the public benefit. The organisation remains the owner and has the sole right to decide the fate of those assets.

Depriving the organisation of any item it owns, or of any potential benefits that can be derived from it, is stealing which must be reported to the police. It is also corrupt conduct, which must be reported to the Crime and Corruption Commission.

Strategies to prevent corruption

To manage the risks associated with disposal of scrap materials and low value assets, organisations should have:

- clear and unambiguous policies backed by practical and efficient work procedures to guide employees in carrying out their official duties during the disposal of these materials in ways that will optimise their value and maximise the returns to the agency
- clear frameworks for workplace behaviour and work practice standards that all employees are aware of and understand
- an effective internal control structure and cost-effective internal controls over scrap materials and low value assets
- training programs to raise employee awareness of how scrap is to be safeguarded and managed.

Other risks

Information security and handling, and management of public records are matters closely aligned to the information in this advisory because electronic records may reside on ICT assets which are due for decommissioning and disposal, however, they are both discrete and important issues.

To assist public officials understand their obligations about information security and handling, and management of public records, the CCC has produced two other advisories that deal with these subjects:

- [Information security and handling](#)
- [Management of public records.](#)

It is recommended that public officials access the above advisories to obtain information relevant to the topic where the asset under consideration for disposal was used to host or transmit agency information or public records.

It is noted that inadequate management and misuse of public records can constitute corrupt conduct which can result in disciplinary action and may also result in civil legal action against the individual and organisation involved. Other consequences can include being charged with and convicted of a criminal offence under the [Public Records Act 2002](#) for unlawful disposal of (including destroying, damaging, abandoning, transferring, donating, giving away or selling) a public record or any part of a public record. The maximum fine for an individual is 165 penalty units¹⁰ (or \$20,113.50 as at 2016/17 financial year).

¹⁰ As at 1 July 2016 1 Penalty Unit = \$121.90. The *Penalties and Sentences Act 1992* provides an annual mechanism to revise this figure, and users are advised to review the value of a penalty unit each year.

Further information and resources

- [Crime and Corruption Act 2001](#)
- [Financial and Performance Management Standard 2009](#)
- [Information Privacy Act 2009](#)
- [Local Government Act 2009](#)
- [Local Government Regulation 2012](#)
- [Public Records Act 2002](#)
- [Public Sector Ethics Act 1994](#)
- [Queensland Procurement Policy](#) (June 2013)
- Crime and Corruption Commission:
 - [Advisory: Information security and handling](#)
 - [Advisory: Management of public records](#)
 - [Advisory: Secondary employment](#)
 - [Advisory: Use of official resources](#)
 - [The public scrapbook: guidelines for the correct and ethical disposal of scrap and low value assets](#)
- Crime and Misconduct Commission and Independent Commission Against Corruption 2004, [Managing conflicts of interest in the public sector: toolkit](#)
- QGCIO:
 - [Information standard 13: Procurement and disposal of information communication technology \(ICT\) products and services \(IS 13\)](#)
 - [Information Standard 31: Retention and disposal of public records \(IS 31\)](#)
 - [Information Standard 40: Recordkeeping \(IS 40\)](#)
- Queensland Treasury:
 - [Financial Reporting Requirements for Queensland Government Agencies](#)
 - [Non-Current Asset Policies for the Queensland Public Sector](#)
 - [NCAP 1 Recognition of Assets, December 2014;](#)
 - [NCAP 6: Disposal of Non-Current Assets, December 2014](#)
 - [Project assessment framework](#)
- [Queensland State Archives website](#)

All Queensland legislation is available at www.legislation.qld.gov.au



Crime and Corruption Commission

QUEENSLAND

Please contact us if you would like further detailed guidance and information on any aspect of this advisory.

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