Disposal of assets

In this advisory:

Introduction

In the public sector, assets include items such as vehicles, computers and office furniture, as well as less obvious ones such as scrap materials and records. They are there to help employees do their jobs and to make the work of serving the community more efficient. They must therefore be used appropriately if public sector employees are to meet their statutory responsibility to act in the public interest (see the *Public Sector Ethics Act 1994* (PDF, 400 KB) 'accountability and transparency').

Poor management of assets can undermine the integrity and operational efficiency of public sector organisations. Not only is it a breach of public trust to intentionally misuse them, but it may also constitute misconduct. The disposal of obsolete assets is an area where the risk of corruption is high. Effectively managing those with residual value will minimise the risk of corruption, which can occur if employees trade them, sell them, or give them away. If they do this without authority for their own benefit or that of another person, they are committing a criminal offence.

Strong ethical leadership and strategic planning by managers at all levels is required if public sector organisations are to manage their resources effectively and economically.

Reasons for disposal

The director-general or chief executive officer of a public sector organisation, or someone delegated by them are the only people who can authorise the sale, trade or destruction of government resources.

An agency can dispose of an asset if it:

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- has been superseded by a new technology, design or functionality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

Remember, even though any of the above may apply, the asset still has a value and is still owned by the organisation.

You can effectively minimise the risk of corruption related to disposal of assets in your agency by documenting their status and location and your 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 disposed of for personal gain. This principle applies equally to tangible assets, such as vehicles or equipment, or assets such as information stored

electronically or in paper-based systems.

Disposal of obsolete assets

Disposal of obsolete assets poses the most significant risk of misconduct. As they are often not accounted for once an organisation has acquired new assets they can be:

- inappropriately 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 for the benefit of a work-related social group (e.g. a social club or Christmas party fund).

Though using obsolete assets for the benefit of a work-related group can sometimes be part of organisational culture, this misappropriation is not acceptable under any circumstances. Agencies must have policies and procedures in place to prevent such practices, and to manage the impact of implementing them.

The most appropriate way of managing obsolete assets is to maintain a register that accounts for them from when they become obsolete until they are disposed of by auction, tender process or direct sale. They can also be passed on to a recycling or waste program, or donated to a charitable organisation if this accords with your agency's policies and procedures.

For example:
An organisation purchases new mobile phones to replace the existing ones. No-one in the organisation needs to use the superseded mobiles as they now have new ones. Neither is there any value in trading the phones to another organisation as most also have new ones. The organisation therefore decides to dispose of the obsolete phones through common recycling avenues (a sustainable outcome).   The new mobile phones have been added to the assets register and the obsolete ones added to an 'obsolete assets register' with a notation of where they are being stored. Once authority has been given for their disposal and they have been handed in for recycling, the obsolete assets register can be amended. By maintaining both these registers, the organisation has created an audit trail which reflects the addition of new assets and the management of obsolete ones.

Disposal of scrap materials

In the course of their work, public sector agencies produce various types of scrap, surplus materials, low-value materials and waste. To minimise corruption, it is important to dispose of these materials effectively. They can include the following.

Type of item	Examples
Consumable materials used in a process	Sand, gravel, cement, chemicals, paint, ink, insecticides, turf, hardware items
Off-cut materials	Lengths of pipe, electrical cables, metal sheets or rods, aluminium, timber
Surplus materials costed to, but not used on, a project	Timber, plumbing fittings, blank DVDs
Recyclable waste products	Detergents, fuels, oils, lubricants, solvents
Recyclable metals	Scrap metals, steel posts, plumbing brass
Packaging and storage items	Aluminium street signs, reusable plastic, metal containers
Materials subject to deterioration that are regularly replaced to maintain safety or quality standards	Railway sleepers, telegraph poles, paving stones, vehicle tyres

Perishable items that have exceeded their use-by date	Foodstuffs, pharmaceuticals (such as first aid or medical supplies)
Items deemed obsolete owing to advances in new technology	Mobile phones, video equipment, IT equipment including software or hardware
Items in perfect condition, but deemed unusable by circumstance	Out-of-date promotional items, presentation folders, publications, stationery
Damaged, inefficient or non-working items considered uneconomical to repair	Office furniture, IT equipment, office fittings
Seconds produced as part of a process	Fittings made to incorrect measurements, books with printing errors, items made from flawed materials
Attractive items of such low value that they are not controlled on asset registers	Cameras, calculators, electrical hand tools, musical equipment, minor surgical implements, teaching aids
Assets that were originally of high value but have diminished in value with use	Computers, printers, audiovisual equipment, refrigerators, microwave ovens, any form of specialist hardware or electrical equipment

Understanding who owns scrap items can be confusing, particularly if an organisation does not appear to ascribe value to them. To clarify the issue, 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 their fate. Depriving the organisation of any item it owns, or of any potential benefits that can be derived from it is stealing. This amounts to official misconduct, which must be reported to the CMC.

Assessing the misconduct risks in a particular area or in your agency as a whole can clarify the pitfalls surrounding the inappropriate disposal of scrap materials and low-value assets. The table below outlines common risk factors. Occurrence of a number of these can be a trigger for misconduct and corruption.

Risk areas	Factors contributing to risk
Recognition of materials and assets as having value	- Failure to recognise the value in scrap materials - Failure to recognise that by-product materials have value in their own right - Failure to recognise that used or surplus low-value assets nevertheless retain value
Clarity of policies and procedures	- A lack of clear policies on the disposal of obsolete assets even if they are not being replaced - A lack of clear policies and procedures related to transitioning an asset from current to obsolete
Adequacy and effectiveness of 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
Transparency and effectiveness of procurement activities	- Ordering or purchasing supplies at quantities that exceed need - Contracts with dealers for scrap disposal that are ambiguous and/or

	not properly managed
	• Corruption within procurement procedures, which allows the removal of waste for private purposes
Accountability of management practices	• Ad hoc and unauthorised changes to normal job procedures
	• Toleration of misappropriation because 'it's always been the practice'
	• Lack of action on risks identified in audits
Integrity of management and staff attitudes	• Extra scrap generated when proceeds are seen as 'going to a good cause'
	• Lack of staff commitment to policies and procedures on the appropriate disposal of materials
	• Manipulation or circumvention of procedures by staff with corrupt intent
	• Early retirement or disposal of items to shift the asset into scrap

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
- clear frameworks for workplace behaviour and work practice standards that all employees are aware of, understand and accept
- an effective internal control structure and cost-effective internal controls over scrap materials and low-value assets
- training programs to raise employees' awareness of what happens to scrap and obsolete assets.

Disposal of records

Public records are any form of recorded information received or created by an organisation that demonstrates performance of legislative, administrative or other public responsibilities. They can be in paper-based or electronic formats and include letters, minutes, memoranda, file notes, maps, photographs, emails, audio and video recordings and web pages.

Your agency's records are valuable — not only for the way you operate, but also because many contain personal information, or business information (even about your processes) that could advantage commercial operators if it became known. All public authorities are obliged to manage records responsibly in accordance with the *Public Records Act 2002* and, in the case of personal information, the *Information Privacy Act 2009*.

Because of their value, records are considered assets and must therefore be disposed of appropriately. Under section 13(a) of the *Public Records Act 2002*, it is unlawful to dispose of a public record without the authorisation of the Queensland State Archivist (usually given in the form of a 'general retention and disposal schedule'). Each public sector organisation carries out work in accordance with specific statutes, which may have prescribed timeframes for retaining records.

The risks associated with poor management and disposal of records include:

- the misuse of information that is confidential to the organisation or to external parties
- irrevocable loss of information to the organisation
- unnecessary storage costs.

Raising staff awareness about correct recordkeeping procedures (including the logging in/out of files), the types of information to be retained and the correct disposal procedures will help to minimise misconduct risks such as the unlawful destruction of records. It is also important to ensure that before assets such as computers, laptops and mobile phones are disposed of, the data or information they contain is removed, as organisations must:

- retain official records and information pursuant to the *Public Records Act 2002*
- comply with the law and minimise the risk of compromising their reputation by allowing sensitive information into the public domain.

You can do this by copying the content to a records system, deleting it from the asset to be disposed of, and reformatting

this in accordance with *Information Standard 13: Procurement and disposal of information communication technology (ICT) products and services.*

Further information and resources

To ensure you gain the most from this advisory, the CMC advises that you read your organisation's policies and procedures on this topic. For more information about the correct disposal of records visit the Queensland State Archives website. The information available includes:

- Best practice guide to recordkeeping in the Queensland public sector
- *Information standard 13: Procurement and disposal of information communication technology (ICT) products and services*
- *Information standard 31: Retention and disposal of government information*
- *Information standard 40: Recordkeeping*
- *Information standard 41: Managing technology-dependent records*
- Managing electronic messages as records
- Managing records of web pages and websites

For more information on the Queensland Government processes or for best practice guidelines see:

- Queensland Government Chief Procurement Office 2008, *Government disposals: turning disused goods into cash* (PDF)
- The public scrapbook: guidelines for the correct and ethical disposal of scrap and low-value assets (PDF, 490 KB)
- *Public Records Act 2002* (PDF, 425 KB)
- *Information Privacy Act 2009* (PDF, 1 MB)

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

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