

Disposal of assets

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 2019](#) require agencies to ensure they have measures to deliver efficient, effective and economical management of public resources,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 act dishonestly and without authority to trade, sell, or give away assets to benefit themselves or another person rather than 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.

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.

¹ [Public Sector Ethics Act 1994 s. 7\(c\)](#)

² [Ibid, s. 9](#)

³ [Queensland Treasury, NCAP 1 Recognition of assets, June 2021](#)

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 can be taken advantage of by a wrongdoer.
- 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 employees removing additional material from a site which does not need to be replaced to sell the material as scrap in order to fund their 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 is serious it may also be a criminal offence (such as theft or fraud) and an officer can also be charged under the Queensland *Criminal Code* for offences including official corruption, misconduct in relation to public office, or abuse of office. Maximum penalties for these offences include various periods of imprisonment.



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.

Any asset that is going to be disposed of must be managed as a public resource 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 in relation to obsolete assets

The most appropriate way to manage obsolete assets is to:

- maintain an inventory register of obsolete or scrap assets that accounts for them from the time they are declared to be obsolete and written off through to disposal
- conduct regular stocktakes verifying the physical stocks of obsolete or scrap inventory against the register
- conduct investigations into anomalies arising from the stocktake
- report losses as required by your legislation and to the CCC if corrupt conduct is suspected.⁴

The [Financial and Performance Management Standard 2019](#) 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.⁵

The [Local Government Act 2009](#) requires local governments to ensure sustainable development and management of assets and infrastructure, and delivery of effective services,⁶ and to develop and maintain asset registers,⁷ which must include its non-current physical assets.⁸

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.

⁴ Local Government Regulation s. 307A, and *Financial and Performance Management Standard 2019* ss. 21-22

⁵ *Financial and Performance Management Standard* s. 18

⁶ *Local Government Act 2009* s. 4(2)(b)

⁷ *Ibid*, s.104(5)(b)

⁸ Local Government Regulation 2012 s. 180



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, landscaping supplies
Recyclable waste products	Old fuels, oils, lubricants, solvents
Recyclable metals	Steel posts, plumbing brass, aluminium, copper
Packaging and storage items	Reusable plastic, metal containers
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 incorrect materials
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, audio-visual equipment, refrigerators, microwave ovens, hardware, electrical equipment

Once an item is removed from the asset register and from a workplace 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 CCC.



Strategies to prevent corruption in relation to scrap materials and low-value assets

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.

Related risks – Destruction of records contained on obsolete assets or scrap materials

Electronic records may reside on ICT assets that are due for decommissioning and disposal.

The CCC recommends that, where any asset under consideration for disposal was used to host or transmit agency information or public records, public officials should review their obligations in relation to:

- information security and handling, and
- management of 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.



Further information and resources

- [Crime and Corruption Act 2001](#)
- [Financial and Performance Management Standard 2009](#)
- [Local Government Act 2009](#)
- [Local Government Regulation 2012](#)
- [Public Records Act 2002](#)
- [Public Sector Ethics Act 1994](#)
- [Queensland Procurement Policy](#) (Feb 2021)
- Crime and Corruption Commission:
 - o [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:
 - o [Information standard 13: Procurement and disposal of information communication technology \(ICT\) products and services \(IS 13\)](#)
 - o [Records Governance Policy \(Apr 2019\)](#)
- Queensland Treasury:
 - o [Financial Reporting Requirements for Queensland Government Agencies](#)
 - o [Non-Current Asset Policies for the Queensland Public Sector](#)
 - o [NCAP 1 Recognition of Assets, June 2021](#)
 - o [NCAP 6: Disposal of Non-Current Assets June 2021](#)
 - o [Project assessment framework](#)
- [Queensland State Archives website](#)

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



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