



**LAGOS STATE GOVERNMENT
LAGOS STATE PUBLIC PROCUREMENT
AGENCY (PPA)**

**Public Asset Disposal
Guidelines**

for

PUBLIC PROCUREMENT IN LAGOS STATE

APRIL 2013

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**SECTION I
DEFINITIONS**

1. Accounting Officer - means the person charged with line supervision of the conduct of all procurement and disposal processes.;

Approving Authority- - means.....

Properties - includes tangible and intangible things which have been or may be sold or procured for consideration

Properties Disposal Committee

Asset register- means -----

Disposal – includes:

- a) Sales and rentals ;
- b) Lease and hire purchase;
- c) Licenses and tenancies;
- d) Franchise and auctions;
- e) Transfer from one government department to another with or without financial adjustments; and
- f) Offer to the public at an authorized variation

MDAS

Public Asset – means resources in the form of tangible and non- tangible Properties(ranging from serviceable to unserviceable);

- a) Created through public expenditure;
- b) Acquired as a gift or through deeds;
- c) Acquired in respect of intellectual or proprietary rights; and
- d) Acquired on financial instruments (including shares,stocks, bonds etc

SECTION II INTRODUCTION

This document is the Guidelines for Disposal of Public Asset in Lagos State and is made pursuant to section 69(3)(b) of the Lagos State Public Procurement Law 2011. The specific objectives of this document are to:

- i. Provide a common, simplified, clarified, documented, agreed, shared and disseminated policy/tool to guide MDA, in the disposal of public Asset within them.
- ii. Empower the management of MDA through increasing of their level of efficiency and effectiveness by promoting economy and value-for-money practices, minimizing delays, maximizing benefits, reducing the incurring of unnecessary costs and losses that may result from disposal of public properties;
- iii. Promote higher quality and encourage greater openness, transparency and accountability to stakeholders for results and future use of financial resources generated from disposal of public Asset.
- iv. The application of these procedures shall be observed by all MDAs.

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SECTION III REQUIREMENTS FOR THE SOUND USE OF ASSETS

MDAs shall put in place a control system to ensure adequate safeguards to prevent loss, damage, or theft of assets.

The Accounting Officer is responsible for the use, control, custody and maintenance of Public Assets in and or under the control or management of the MDA and will be held accountable for any deliberate loss, damage or misuse of project Assets.

The requirements for a sound use of the MDA's Assets include:

- Periodic inventory
- Reporting of discrepancies or loss/theft; and
- Provision of comprehensive insurance coverage for Assets acquired with public funds

3.1 Asset Register

MDAs shall record all Assets in a Asset Register. Newly acquired Assets must be added to the Asset Register within 15 days of acquisition.

The following information shall be recorded in the Assets register in respect of each Asset:

- **Asset description:** The Asset description should be meaningful. The description should allow anyone undertaking an inventory to easily identify the Assets.
- **Identification code:**
 - a. Each Asset must be tagged by a unique identification code and recorded in Asset inventory records and shall remain so identified as long as it is in the custody, possession or control of the MDA.
 - b. Assigned identification numbers must be recorded on all applicable receiving, shipping and disposal documents, and other records that are related to the Asset control system.
 - c. Once an identification number has been assigned to a Asset, no change shall be made during the life of the item regardless of inter-departmental or inter-office transfers.
 - d. The identification code shall be removed or obliterated from the equipment only when sold, scrapped, or otherwise disposed of.
- **Asset category:** The Asset category could be: buildings, motor vehicles, furniture, office equipment, computers, fixtures & fittings, etc.
- **Location:**
 - a. Records must be kept as to the physical location where the Assets are kept
 - b. The location record must be kept in a manner that any Asset can be easily located for inspection or inventory purposes
 - c. Any changes in the location of any Asset must be updated in the location register and Asset register
- **Date of acquisition:**
 - a. The date placed in service that is usually taken as the receipt date for the item.
- **Purchase cost:**
 - a. The purchase cost is the cost of the Asset as shown on the invoice and is exclusive of all goods and service taxes.

- b. The cost of the Asset must include any freight charged for the delivery of the Asset, and any installation charges. Additional information such as Serial number, Make / Manufacturer and Model, Engine and Chassis Number for vehicles that can help with the identification of the Asset should be added to the register.

3.2 Periodic Inventory

- A physical formal count of tangible Assets must be conducted periodically and in any case not less than once in a calendar year
- The verification should be conducted by a committee of at least three (3) independent persons which shall not include the person to whom the asset is assigned.
- The results of the physical count of the Assets should be reconciled with the Asset register.

3.3 Discrepancies in Inventory or Loss/Theft of Assets

When an inventory reveals a discrepancy (items located that are not in the register and/or loss of Asset items recorded on the register) or when a determination has been made that an Asset item has been lost or stolen, the following action should be taken:

- a. In the case of items not being recorded in the register, the matter must be drawn to the attention of the Accounting Officer and investigated before adjustments are done in the Asset register.
- b. In the case of loss or theft of a Asset, the department in charge should immediately notify the Accounting Officer in writing. The management should conduct an investigation and a theft or lost report should be completed and submitted (including discrepancies stating any action taken to locate the missing items.). Employees may be charged for any loss or damage to Asset items that is attributable to their negligence or unauthorized use.

SECTION IV ASSET DISPOSAL PROCESSES AND PROCEDURES

For MDAs, to implement an efficient and effective “Assets Disposal” activity in an open and transparent manner, the processes and procedures articulated below shall be undertaken and followed.

4.1 Timing, Circumstances and Justification

The reasons, circumstances for, timing and the justification for MDAs wishing to dispose of Assets may vary and shall include:

- The MDA has concluded its mandate and is e closing;
- The Asset may have become totally un-usable (a complete write-off) as a result of an accident or similar event;
- The Asset may have become obsolete (e.g. due to major technological shift, disappearance of the unique fabric, etc);
- The cost of maintenance of the Asset may have become too high in comparison to what may be a reasonable cost for its replacement;
- The Asset may have become surplus to the MDA’s requirements (due to new acquisitions, reduction of activity or personnel, improvement of technology for automation and time reduction, etc.);
- Any other reason not stated hereby but that may be articulated convincingly to the satisfaction of PPA, in the request for certificate of compliance to dispose of such an Asset.

4.2 Asset Disposal Procedures

Immediately Assets are identified as likely to be disposed, the following steps, processes and procedures must be followed and applied:

4.2.1 Arrangements for disposal and documentation of the process

A proposal/concept paper regarding the arrangements for the Assets’ disposal must be prepared. Steps of tasks included in this category of processes and procedures include the following:

4.2.1.1 *Early identification, classification and valuation of Assets to be disposed-of*

Where Assets have been identified for disposal the MDA shall undertake valuation of the Assets (to determine book values, minimum, and/or asking prices or any other considerations to be taken into account regarding value of concerned goods), by either using its own staff or an independent valuation expert in order to determine the estimated reserve price, which shall be confidential and shall not be disclosed to bidders.

4.2.1.2 Establishment of a “Asset Disposal Committee”:

4.2.1.2.1 MDAs shall establish an internal “Asset Disposal Committee” for the purpose of recommending the best method of disposing of unserviceable, obsolete or surplus stores or equipment.

4.2.1.2.2 The Asset Disposal Committee shall be appointed with clearly defined and documented terms of reference that indicates:

- i. what the Committee’s work is about,
- ii. who the members are,
- iii. what the members’ role, responsibilities and duties are,
- iv. How the members shall interact with staff of the MDA in doing their work, and

v. who the members report to,

4.2.1.2.3 The terms of reference of the Asset Disposal Committee should also provide for and enable the Committee to seek, obtain and utilize external expert services through consultancies to beef-up any skills-gap on the Committee whenever disposing of Assets.

4.2.1.2.4 The Committee shall document and cost its proposals for Asset disposal as well as document and sign its disposal report upon completion of any specific Asset disposal activities at each given assignment.

4.2.1.2.5 The Asset Disposal Committee shall comprise at least three (3) responsible members, who shall be appointed by the MDA's Accounting Officer from its various departments. Representatives from the relevant technical department(s) should be included in the disposal committee.

4.2.1.3 Preparation, approval and implementation of concept note/proposal for disposal of Assets:

- The Asset Disposal Committee shall prepare a concept note/proposal which shall document and cost its proposal for the disposal of the Asset
- The concept note/proposal shall be discussed with all relevant stakeholders concerned with the process before it is presented for approval
- The proposal shall be signed by the Chairperson of the committee and counter signed by the Secretary to the same committee
- The proposal shall be presented to the Accounting Officer of the MDA prior to implementation and incurring of expenses relating to the activity, for approval of the Approving Authority of the MDA

4.2.1.4 Process and Procedure for effective Certificate of Compliance issuance:

Public Asset shall not be sold, ceded or otherwise disposed of without the obtaining in advance, a certificate of compliance from PPA.

4.2.1.4.1 The request for a certificate of compliance shall be in writing signed by the authorized signatory and must outline the following:

- Description of the Asset(s) to be disposed-of including all relevant information: acquisition date and cost, book value, current physical affectation, cost of maintenance;
- Detailed rationale for disposing of the Asset(s);
- Asset Disposal Committee terms of reference and Minutes of the Meeting confirming its operational date as well as the composition (names, designations and Departments/organizations each one is representing) and justification;
- The disposal method selected for use and justification;

4.2.1.4.2 The certificate of compliance request should be received at least 6 months prior to the closing date for projects that are closing down and do not have a next phase.

4.2.1.4.3 Upon receipt of any MDA's request for Certificate of Compliance to dispose-of Assets, the PPA shall formally acknowledge receipt of the request within three (3) working days and shall process the submission within ten (10) working days and advise the MDA formally within or by the tenth day of receipt at PPA, of the request for Certificate of Compliance.

4.2.1.4.4 The PPA decision in the response sent to the MDA may or may not agree with the disposal details, including the method/s indicated in the Asset Disposal Committee of the MDA.

4.2.1.5 Supervision of staff and clear separation of responsibilities:

To ensure that value for money is achieved after the disposal of Assets and that high standards of propriety are maintained, the MDA shall ensure that there is proper supervision of staff and clear separation of responsibilities, particularly in relation to the valuation and disposal process.

Where Assets have been identified for disposal the MDA shall undertake the valuation of the Assets either using its own staff or an independent valuation expert in order to determine the estimated reserve price, which shall be confidential and shall not be disclosed to bidders. The use of an external valuer should be the first option where the Assets are significant in value and upon obtaining a certificate of compliance from PPA.

4.2.2 Asset Disposal Methods

MDAs shall take into consideration the likely considerations to be taken by PPA in responding to their request for Certificate of Compliance to dispose-of Assets' (as described above) and subsequently shall consider therefore, adopting and using any of the following methods of disposal for the disposal of their unserviceable, obsolete or surplus stores or equipment:

- Transfer with financial adjustment;
- Sale by public tender;
- Sale by public auction;
- Sale by trade-in;
- Fixed price sale;
- Sale to employees or to Project/Program Steering Committee members;
- Recycle or Donate to a “deserving cause”; and/or:
- Destruction, Dumping, Burying, Burning.

4.2.2.1 Transfer with Financial Adjustment:

The MDA may transfer Assets to another procuring entity with financial adjustment where the receiving/procuring entity shall make further use of the MDA's Asset(s) where an arrangement for transfer shall be agreed mutually. Assets should be transferred to the next phase of a project where the project is to continuing or to another project and not disposed of upon receipt of a certificate of compliance from PPA.

4.2.2.2 Sale by Public Tender:

The procedure and process to be used by MDAs, for disposing Assets by public tender shall be similar to the procedure and process for (*procurement of goods, works and services through open bid, restricted bid or request for quotations but with appropriate modifications to those*) but with appropriate modifications. The award in the disposal of Assets shall be made to the highest rated bidder, of which bid shall be equal to or above the reserve price.

4.2.2.3 Sale of Assets by Public Auction:

MDAs, if disposing Assets by public auction, shall use an auctioneer for a pre-qualified list or appoint one through an appropriate competitive and transparent method. The Asset Disposal Committee shall agree /approve of the selected auctioneer.

4.2.2.4 Disposal of Assets by Trade-in:

MDAs shall opt to use trade-in as a method of disposal subject to the approval of the Asset Disposal Committee under the following circumstances;

- Trade-in shall be used where the trade-in of surplus Assets off-set the purchase price of new items provides a convenient, economic and efficient way of upgrading Assets;
- Trade-in shall not be used where it reduces the value for money in a procurement process; and
- Trade-in shall not be used where factors other than price have to be taken into account in the disposal process.

4.2.2.5 Disposal of Assets by Fixed Price Sale

MDAs shall opt to use the Fixed Price Sale as a Asset disposal method where some items (best net outcome) may be obtained by displaying goods for sale with a market price. In choosing this method, MDAs shall consider the following:

- The cost of valuing the Asset(s);
- Wages and other administrative costs;
- The direct and indirect costs of warehousing;
- The extent to which the procuring entity may be expected to warrant the condition of fixed price sale;
- The cost of advertising; and
- The Asset Disposal Committee shall approve the use of this procedure.

4.2.2.6 Disposal of Assets to Employees or Governing Body members of projects/programs of MDAs:

A disposal to an employee or members of staff of the MDAs shall be an option where:

(a) The items are of low value, i.e.:

There is no likely benefit or financial advantage to the MDA, in using any other disposal method;
Where the personal use of the disposed Asset(s) would directly benefit the performance of the employee in the execution of his or her duties within the organisation;

- The employee in possession of the Asset to be disposed of is given the first priority to purchase the same, after an independent mechanism determines the sale price;
- Items are in remote locations, where any other method of disposal would be impracticable;

(b) An employee shall not be permitted to purchase more than one similar item under a single disposal process;

(c) An employee involved in initiating the disposal process, valuation or managing the disposal process shall not participate in that particular disposal as a bidder; and

(d) The disposal process by Sale to Employees may be contracted to an independent agent who shall be selected competitively at reasonable cost.

If this method of Asset disposal is selected, the processes and procedures to follow shall be as follows:

- (a) A bid shall be solicited by the publication of a non-public invitation notice, indicating that any staff interested in bidding may obtain the bid documents from the Asset Disposal Committee;
- (b) A non-public invitation notice shall be displayed on a notice board and copies circulated through heads of departments and where possible through email to all employees;

- (c) The advertising period for Sale to Staff shall be at least ten (10) days;
- (d) Disposal documents shall be drafted in accordance with acceptable standards;
- (e) A procuring entity shall request for written sealed bids from interested employees;
- (f) Evaluation for sale to employees or steering committee members shall be based on price only;
- (g) A post-bid negotiation shall not be permitted;
- (h) The disposal committee shall make the award; and
- (i) Every disposal to an employee or Disposal committee member shall be reported promptly to the MDA's Accounting Officer.

4.2.2.7 Recycle or Donation of a Asset to a deserving cause:

MDAs shall opt to use Conversion or Recycling of Assets as a disposal method where;

- (a) Assets have no identifiable residual usefulness to the procuring entity and may still have some value that may be obtained through Conversion into another form or Recycling;
- (b) On grounds of public interest, legal or human rights issues or environmental considerations; or
- (c) There is potential of obtaining monetary return from Conversion or Recycling.

4.2.2.8 Disposal of Asset/s by Destruction, Dumping, Burying, or Burning:

MDAs, after considering the environmental effects and obtaining the relevant clearance may destroy, dump, bury or burn Assets only when all other disposal options have been eliminated and no conversion into another form or recycling possibilities can be identified.

When items have been disposed of through any of the methods allowed, a standard disposal certificate(s) shall be prepared accordingly and duly signed by Accounting Officer.

SECTION V
SUPERVISION AND MONITORING OF MDAS

5.1 Supervision of projects/programs of MDAs:

PPA shall conduct desk and ex-post supervision missions to review compliance with this Asset Disposal Guidelines by MDAs and to provide technical support in the field that may be required by such MDAs in their activities in accordance with the principles of good corporate governance promotion of openness, transparency and accountability while achieving greatest results under the value-for-money principle

5.2 Monitoring of projects/programs of MDAs:

PPA shall monitor the implementation by MDAs of this Policy and assess ex-post the performance of the MDAs when conducting supervision missions referred to above as well as during desk reviews and other modes of stakeholder consultations.

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**SECTION VI
COMMUNICATION, NOTICES AND TIME-LINES**

6.1 Communication, Notices, Timelines:

The processing by PPA of a request for certificate of compliance to dispose-of assets shall not exceed ten (10) working days from the date of receipt of the request, provided that all the requisite information is provided and accompanies the letter of request in clarified manner and as satisfactory supporting documentation sent to PPA.

6.2 Additional Information:

MDAs shall submit any additional information requested within five (5) working days following receipt of the request from PPA for additional information.

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**SECTION VIII
EFFECTIVE DATE**

8.1 *Effective Date:* The PPA Asset Use and Disposal Policy for MDAs shall become effective on 2 April, 2012.

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ANNEX 1
PART 1: SAMPLE OF ASSET DISPOSAL FORM

PPA ASSET DISPOSAL FORM

MDA _____ Unit _____

DISPOSAL/INTERNAL TRANSFER/GIFTED/SALE (delete as appropriate) For Gifted/Sale Complete parts 1 & 2

Details:

1. Description of Item(s):
2. Inventory Number:
3. Date of Purchase:
4. Original Price:
5. Reason for Disposal:
6. Proposed Method of Disposal
7. Suggested Disposal Value:
8. Code to be Credited:
9. If sold, has appropriate Accounting Officer been consulted: for Estimate of residual value (if any) (YES) / (NO)
10. Health, Safety and Environmental issues. It is the responsibility of the disposer to ensure that:
 - a. Any asset gifted or sold must be to a person competent to receive. All transfer must be documented. *
 - b. Have all local Health, Safety and Environmental requirements been complied with? (YES) / (NO)

Accounting Officer Approval:

PART 2: SAMPLE OF PPA ASSET DISPOSAL FORM FOR:

**TRANSFER OF GIFTED/SOLD ASSETS
GIFTED/SOLD (delete as appropriate)**

1. Description of Item(s):

2. Inventory Number:

I confirm the following:

- (a) The asset is second hand and that the price has been reduced accordingly;
- (b) I accept the asset as it is, and the [Project/Program Name] is not providing me with any warranty that the asset functions properly or at all or that it is fit for any particular purpose (even if I have informed them of this purpose), that the asset might not comply with the specification printed on it or that components may have been added or removed;
- (c) the manufacturer's warranty may have expired already;
- (d) I am over 18 and a person competent to receive the asset;
- (e) I will comply with all Health, Safety and Environmental and other issues relevant to the asset and that, in transferring such asset(s) to me, [Project/Program Name] has no liability for the disposal, recycling or destruction of such asset(s) and that I will dispose of or recycle such asset(s) responsibly when I have finished with it.

Recipient/Buyers Signature

Name of Recipient/Buyer
(please print)

Address

Signature

Position

Date

Copy to be retained by disposing department original to Procurement Department