

Factors affecting the Rate of Disposal of Assets in Public Sector Organizations: A Case Study of Yatta Sub-County- Kenya

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Abstract

Disposal of unwanted assets is a critical element of stores and equipment management in any organization. When, for example, equipment is obsolete, continuing to keep it through maintenance, storage, parking, insurance, etc. may well exceed the returns that can be derived from the use of that equipment. Public entities in Kenya have specific disposal procedures and guidelines as provided for in the Public Procurement and Disposal Act, 2005 and Public Procurement and Disposal Regulations, 2006. This research project was a case study that sought to assess the factors affecting the rate of disposal of assets by the public sector organizations within Yatta Sub-County. A census was carried out on all the 28 Government Departments whereby 60 employees who were considered to have relevant information to the study were taken as the respondents. Questionnaires, interview guide and observation schedule were used to collect data. The study attained a 100% response rate. The findings of the study were that overall; the rate of disposal in public sector organizations in Yatta sub-county was low and that the process of procurement planning for disposal was reported as long and tedious.

Keywords: The rate of asset disposal

1.0 Introduction

Asset disposal is mostly known as the act of selling an asset usually a long term asset that has been depreciated over its useful life like production plant and vehicles (Baily et al, 1998). Disposal may be considered as the third life of any item acquired by a procuring entity; first it is procured and accepted- the procurement cycle; second it is utilized by the procuring entity in the discharge of its duties-the life cycle; third it has to be disposed- the disposal cycle (Public Procurement Oversight Authority, 2009). The user department should have the responsibility of identifying items to be disposed and where possible assemble them together. The head of stores should be responsible for identification of stocked items which are candidates for

disposal and the lists of all items identified for disposal should be submitted to the head of procurement unit or the head of assets management unit depending on the internal organization of the procuring entity (Public Procurement Oversight Authority, 2009). These submissions should form the basis of the annual disposal plan. The disposal planning should be done at the same time as the procurement planning. Procuring entities should dispose of their assets at least once every year. A disposal committee should be formed to work with the user departments and the head of procurement to prepare the disposal plan. The disposal committee should recommend, to the accounting officer, the disposal including the disposal method (Public Procurement Oversight Authority, 2009).

1.1 Statement of the Problem

Disposal of assets is an important part of strategic asset management in organizations. Keeping unwanted stores results in risks of unnecessary expenditure on storage costs; misguided management effort; gradual loss of the value in those items; and the possibility of disposing assets, at a value lesser than the residual value or best achievable value in the market. Disposal should always be treated as the last phase of asset management because it is a function that is necessary for guaranteeing that organization funds are not wasted on obsolete and unserviceable equipment and assets; and that when stores are disposed, they are sold at the best achievable value in the market. A disposal plan should therefore be prepared by an organization annually to include all disposals decided to be necessary.

Disposal by public sector organizations in Kenya is usually governed by the Public Procurement and Disposal Act and Public Procurement and Disposal Regulations. With the guidance of the Act and the Regulations on how to carry out procurement planning for disposal of assets by public entities: it becomes questionable when visits to public sector organizations reveal that assets lie idle; vehicles grow grass in parking yards; offices have dusty equipment that are not being used; and storage facilities hold items that have not been issued or used in many years. This study sought to assess the factors affecting the rate disposal of assets in public sector organizations in Yatta Sub-County.

1.2 Objectives of the Study

The general objective of this study was to assess the factors affecting the rate of disposal of assets by public sector organizations in Yatta Sub-County.

The specific objectives of the study were to:

- a. To determine the influence of procurement planning on the rate of disposal of assets.
- b. To identify other factors influencing the rate of disposal of assets by public sector organizations in Yatta Sub-County.
- c. To determine the effects of financial and accounting risks associated with disposal on the rate of disposal of assets.
- d. To establish the effects of the choice of disposal methods on the rate of disposal of asset.

2.0 Literature Review

The chapter discussed a review of the literature relevant to the study. It indicated what has been done by other researchers. Data was retrieved from the internet, text books, corporate authors and the unpublished researches carried out by other scholars.

2.1 Theoretical Review

2.1.1 Procurement Planning for Disposal of Assets

The responsibility for the disposal of surplus material and scrap is usually that of the purchase department. The operating department is usually responsible for declaring surplus or obsolete raw materials and operating supplies while the Engineering and Maintenance departments are responsible for replacement parts and maintenance supplies. The store will be responsible to report on non-moving items and it is usual for many companies to have a committee to decide on surplus materials (Menon, 1998). A procuring entity should establish a disposal committee comprising of at least five members who are the officer in charge of finance; the head of the procurement unit who should be the Secretary; the head of the accounting department; and two heads of end user departments, of whom one should be the head of the end user department disposing of the stores or equipment (Government of Kenya, 2005). The head of stores should be responsible for identification of stocked items which are candidates for disposal. The lists of all items identified for disposal should be submitted to the head of procurement unit or the head of assets management unit depending on the internal organization of the procuring entity (Government of Kenya, 2006). These submissions should form the basis of the annual disposal plan. Where a procuring entity has departments which are also located in different parts of the country, disposal may be arranged at the stations with different disposal committees being appointed to conduct the exercise. The disposal committees should recommend the disposal including the disposal method (Public Procurement Oversight Authority, 2009).

The procuring entity should design a form which should contain the following information: item number; description of item; unit of issue; quantity; date of purchase; purchase unit price; total purchase price; general condition; disposal recommendation of the disposal committee; estimated current value; and decision of the accounting officer (Public Procurement Oversight Authority, 2009). The following aspects should be considered in planning for disposal: the contents of an annual disposal plan; budgeting and allocation of funds; independent valuation of stores; and the award of disposal and documentation of proceedings (Public Procurement Oversight Authority, 2009). The annual disposal plan of the procuring entity should include: a detailed breakdown of the stores, assets and equipment to be disposed of; a schedule of disposal; an indication of the justification; an estimate of the value of each store, asset or equipment; a reference of the asset register or records of the stores; an indication of the method of disposal envisaged for each disposal requirement, including any need for pre-qualification, and the anticipated time for the complete disposal cycle, taking into account the applicable approval requirements; an indication of whether the disposal of the stores, assets or equipment will be managed by the procuring entity or any special agency designated or hired; and an indication of the resources available for managing the disposal workload (Public Procurement Oversight Authority, 2009). It is extremely important to ensure that the control systems associated with scrap disposals are clear and watertight (Menon, 1998).

2.1.2 Other Factors Affecting the Rate of Disposal of Assets

Cancellation of disposal proceedings

The cancellation of disposal proceedings should be avoided whenever possible, but may be permitted where: the disposal need has ceased to exist or changed significantly; insufficient funding is available for covering the transactions costs of disposing of the stores, assets or equipment; there is a significant change in the required technical details, bidding conditions,

conditions of contract or other details, such that the recommencement of proceedings is necessary; insufficient or no bids are received; there is evidence of collusion among bidders; or it is otherwise in the public interest (Public Procurement Oversight Authority, 2009).

Unsuccessful proceedings

Where no responsive bids are received or disposal proceedings are otherwise unsuccessful; the procurement unit should investigate the failed disposal proceedings and prepare a report for the disposal committee and the tender committee. The report should include the reasons why the disposal was unsuccessful and recommendations on how any new disposal proceedings should be managed to avoid such failings (Public Procurement Oversight Authority, 2009).

Cannibalization

Hoover (as cited in Virtual Meeting Room for Assimilationists, 2002) writes that when a piece of equipment is down due to a lengthy wait for a replacement part, and another piece of similar equipment also fails, it is possible to restore one of the two broken pieces of equipment to an operational condition by taking parts from the other, that is, through cannibalization. Departments should not keep junk rooms. They should send all parts of cannibalized equipment that are not needed to Surplus store instead of storing them in the department. While transferring unused parts to Surplus, departments should complete and submit transfer notice and send surplus along with unused parts, putting the asset and serial number on the transfer form (Baker & Matthew, 1999).

Modern Technology

Giuntini (2010) suggests that all maintainers of equipment face the inevitable. Their equipment will eventually become permanently impaired and they will no longer be using it. This is driven by four facts of life: equipment will someday be too worn out to be fixed further; fixing equipment will soon become expensive given the alternative of acquiring another piece of equipment; regulators will say equipment must go due to safety/environmental factors; products/services created by the processes employing the equipment are no longer in demand. When an asset is classified as permanently impaired, an organization will ultimately physically remove the asset. Menon (1998) states that an item is regarded as obsolete when it is no longer usable by the enterprise concerned, because of a change in operational practice or production methods. obsolete and surplus stocks arise from various factors: a change in the design of the manufactured equipment; a change in the method of manufacture; unforeseen reduction in the volume of production; in the case of spare parts of existing equipment when it has been decided to phase out or sell off the old equipment and buy a new model; some decisions on the part of management. These must be put to some other use or disposed promptly if a company is to realize its maximum profit (Menon, 1998).

Strategic asset management

The use of strategic asset management can help a state to achieve greater benefits from its investment in assets. In 1994 the South Australian Commission of Audit advised the Government that management of public sector's assets was deficient, citing examples of: a need to rationalize surplus assets; over engineering; inadequate maintenance or poor maintenance planning; poor analysis of investment priorities; and significant liabilities for replacement of existing assets. Asset management is a process to manage demand and guide

acquisition, use and disposal of assets to make the most of their service delivery potential, and manage risks and costs over their entire life (Baker & Matthew, 1999). These authors add that there is need to develop maintenance plans for assets which correlate and quantify the maintenance requirements with service strategy, asset performance standards and risk management. Together, these elements form the basis of the agency's asset maintenance strategic plan. Management should plan for asset disposal or divestment (Baker & Matthew, 1999).

Poor storage

Menon (1998) writes that materials often deteriorate in storage making them useless for the intended purpose. As such they require adequate preservation which involves keeping the materials in a fresh and serviceable condition. A major cause of deterioration is inadequate storage conditions e.g. steel lying in the open can corrode, cement gets damp and solidifies. Menon adds that equipment which is sensitive under normal atmospheric conditions should be kept in air conditioned rooms at the temperature recommended by the manufacturers.

2.1.3 Financial and Accounting Risks Associated with Asset Disposal

Costs associated with disposal

Redundant stock, scrap or waste is a cost to an organization and the most effective way is to reduce it is to avoid the production of waste (Baily, Farmer, Jessop, & Jones, 1998). When stores are perishable, keeping them run risks of misuse, using shelf space unduly and not signaling requirements for what may be lifesaving products (Public Procurement Oversight Authority, 2009). The costs involved in the disposal may include: valuation of stores, assets or equipment; consultancy costs for preparation of a disposal proposal; disposal proceedings management and supervision costs in the case that a disposal agent may be hired; or costs relating to facilities, services or resources to be provided by the procuring entity, such as office space or communication facilities for consultants or counterpart staff, access to the stores, assets and equipment in the case of pre-bid site visits and conferences and the procuring entity should ensure that adequate funds are budgeted and allocated prior to initiating the disposal proceedings, taking into account all costs involved in the disposal (Public Procurement Oversight Authority, 2009).

The procuring entity should ensure that adequate funds are available for managing the disposal proceedings including funds required for publication of notices. Keeping costs down is justified by the need to maintain transaction costs to an acceptable level to avoid bidders applying cost loaders that affect the financial returns of the project which in case of a disposal would mean that the Treasury receives less money for the stores and assets (Public Procurement Oversight Authority, 2009).

Ensuring that a fair price is achieved

Menon (1998) states that for equipment, machinery, and vehicles, it is usual to fix a reserve price. If offers received are below this price then negotiations may be held to raise the prices. Menon adds that some companies separate power for disposal. Various officers can dispose of goods for which a reserve has been obtained and for those goods that the reserve price has not fully been achieved; a more senior officer must approve the transaction. There should be a proper procedure laid down for all disposals and accountability should be fixed. It would be preferable to have a team to constantly investigate the possibility of better prices (Menon, 1998). Procuring entities are encouraged to apply reserve prices where it is found necessary

to ensure a fair price is achieved. Under these circumstances care must be taken in the establishment of the reserve prices. There should be a proper procedure laid down for all disposals and accountability should be fixed (Public Procurement Oversight Authority, 2009).

Recording of monies received

Where cash payment is an acceptable alternative for some reason it is important that the system ensures checks on what passes to the merchant and what cash is paid in return are properly documented (Baily et al., 1998). As a working basis and best practice, monies received in respect of disposals of stores, assets or equipment should be remitted to the Exchequer, unless the procuring entity has been permitted to retain the revenues by the Minister for Finance (Public Procurement Oversight Authority, 2009).

2.1.4 Asset Disposal Methods

Disposal of surplus is frequently entrusted to purchasing and a number of options are available. For scrap, whether metal, wood, paper or other materials the best course is disposal to a recognized broker. Better prices may be negotiated if the seller keeps abreast of the current scrap prices. Equipment or components may be disposed of by the following methods: by sale through the trade press; sale to a stockiest or dealer; auction or through trade auctions; return to the supplier-usually this will be at a discount but stock will have been turned into cash; sale to employees-especially cars, computers and office equipment; and donations to charitable organizations (Lysons & Gilligham, 2003).

There are various disposal methods which are: sale by public auction; sale by open tender; transfer to another public entity; destruction, dumping, or burying; trade-in; and disposal to public servants (Public Procurement Oversight Authority, 2009). The procedure for sale by open tender begins with invitation of bids through publication of an announcement of tendering proceedings inviting all potential bidders to submit bids with an indication of the deadline for submission. Stores, equipment and assets to be disposed should be valued and if necessary by an independent valuation agent (Government of Kenya, 2005). The reserve price is a mechanism designed to ensure that the procuring entity secures money for value when the valuation of the stores, equipment or asset to be disposed cannot be sufficiently precise (Public Procurement Oversight Authority, 2009). The tender committee should award the contracts taking into consideration the evaluation report and the agenda prepared by the secretary of the tender committee. Notification of contract award should be made to the winning bidders and at the same time the unsuccessful bidders (Public Procurement Oversight Authority, 2009). The bidders are given a period of 14 days from the date of notification of award within which to pay and collect the items failure to which the contract award lapses. In case of failure to pay for and collect the items awarded, the bidder should forfeit the deposit and the items should be offered to the next highest evaluated bidder and the items written off the records (Public Procurement Oversight Authority, 2009).

While applying the sale by public auction method, an auctioneer should also be appointed through the public procurement process and this auctioneer should be registered and licensed by the relevant bodies that regulate the auctioneering profession. Bids should be invited through the publication of an announcement of auction sale and no prequalification may be conducted for disposal of stores, assets or equipment under this method (Public Procurement Oversight Authority, 2009). Procuring entities should prepare an auction list containing all the items to be auctioned and to ensure that the eligibility criteria do not discriminate any person or entity and a transfer to a public entity method may be approved

by either the accounting officer or the head of the procuring entity. Transfer should be justified by the Disposal Committee when preparing the disposal recommendations to the accounting officer or the head of the procuring entity. The receiving entity may pay an agreed amount of money for the items or may be issued with the items free of charge (Public Procurement Oversight Authority, 2009).

Destruction, dumping or burying method too must be approved by the accounting officer and all destruction, and dumping or burying should be justified by the disposal committee. The disposal committee should also conduct an evaluation to determine whether the procuring entity is capable of disposing the stores, assets or equipment by itself or if it should seek the assistance of an agent or contract a qualified entity. The disposal committee should conduct a financial evaluation and comparison to determine if the destruction, dumping or burying method is the most economical method and promotes efficient use of public funds (Public Procurement Oversight Authority, 2009).

All trade-ins should be justified by the disposal committee when preparing the disposal recommendations to the accounting officer or the head of the procuring entity. The justification should emanate from a combination of the need for the procuring entity to dispose of the stores, assets or equipment and the need to replace them immediately and a disposal requirement executed using the trade-in method should always link directly to a procurement requirement. A trade-in may be initiated and negotiated with the selected bidder of a procurement requirement as direct procurement subject to justification and approval by the tender committee (Public Procurement Oversight Authority, 2009).

A procuring entity may dispose to an employee or board member where the time and cost required for disposing to any other person would be disproportionate to the value of the item being disposed; and where the employee is in possession of the stores or equipment to be disposed and may be given the first priority to purchase the same (Government of Kenya, 2006). Every disposal made by a procuring entity to an employee must be reported by the accounting officer or head of the procuring entity to the Oversight Authority within 14 days of the disposal and disposal to public servants is also possible where the procuring entity sets aside items to be disposed of through internal tender process; or where the disposal of an asset would directly benefit the performance of a public officer in the execution of his or her duties within a procuring entity (Public Procurement Oversight Authority, 2009).

2.1.5 Measuring the Rate of Asset Disposal

International Financial Reporting Standards (IFRS) classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use (Ernst & Young, 2011). A long lived asset (or disposal group) to be disposed by sale should be considered held for sale when all of the following criteria for qualifying plan of sale are met: i) management, having the authority to approve the action, commits to a plan to sell the asset or disposal group; ii) the asset or disposal group is available for immediate sale, that is, the seller currently has the intent and ability to transfer the asset to a buyer, in its present condition, subject only to conditions that are usual and customary for sales of such assets or disposal groups; iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; and iv) the sale of the asset or disposal group is probable, that is, likely to occur and the transaction is expected to qualify for recognition as a complete sale within one year (Ernst & Young, 2011).

IFRS define fair value as the price that would be received to sell an asset or paid to transfer a liability (exit Price) in an orderly transaction between market participants at the measurement

date (current prices). Fair value is a market – based measurement and not an entity-specific measurement (Ernst & Young, 2011). Procuring entities are encouraged to apply reserve prices where it is found necessary to ensure a fair price is achieved (Public Procurement Oversight Authority, 2009). An entity may choose to measure the fair value of plant and equipment at: i) cost less accumulated depreciation and accumulated impairment (cost model) or ii) fair value less subsequent accumulated depreciation and accumulated impairment - revaluation model (Ernst & Young, 2011).

Disposal is a cycle that starts with the initiation of the process of disposing of unserviceable, obsolete or surplus stores, other assets and equipment and is considered ended when the disposal has been completed and accepted (Public Procurement Oversight Authority, 2009). Public Procurement Oversight Authority discourages unsuccessful proceedings and directs that where such proceedings occur, the procurement unit should investigate the failed disposal proceedings and prepare a report for the disposal committee and the tender committee. The report should include the reasons why the disposal was unsuccessful and recommendations on how any new disposal proceedings should be managed to avoid such failings. The Oversight Authority also provides for a format of annual disposal planning which includes documenting the process and indicating both the planned and the actual disposal (Public Procurement Oversight Authority, 2009).

2.2 Conceptual Framework

This study involved four independent variables that have been investigated in relation to one dependent variable. The independent variables are procurement planning for disposal; other factors influencing the rate of disposal such as cannibalization and unsuccessful disposal proceedings; the effects of financial and accounting risks associated with asset disposal; and, the choice of methods of asset disposal. The dependent variable was the rate of disposal of assets by public sector organizations.

3.0 Research Methodology

The study was a descriptive research. A descriptive research is one that determines and reports things the way they are (Mugenda & Mugenda, 2003). Kothari (2004) states that the major purpose of descriptive research is the description of the state of affairs as it exists at present. The population of the study was public sector organizations in Kenya and the target population was the 28 government departments within Yatta Sub-county. The researcher applied the case study method which is a popular form of qualitative analysis and involves a careful and complete observation of a social unit. Thus case study is essentially an intensive investigation of the particular unit under consideration. The object of the case study method is to locate the factors that account for the behavior pattern of the given unit as an integrated totality (Kothari, 2004). A census inquiry was carried out on all of the 28 government departments in Yatta because the field of inquiry was small (Kothari, 2004). The researcher collected data using questionnaires for procurement and workshop personnel; interview guides for the heads of departments and observation schedule. The respondents were 60 employees working in the 28 departments and who were considered to have relevant information for the study.

The collected data was analyzed using both quantitative and qualitative data analysis techniques where findings were presented through pie charts, bar charts and frequency tables for easy interpretation. Additionally, the unit of analysis was based on the research

questions and captured in sub-topics following the four independent variables of the study. Statistical package for social sciences was used to present the data.

4.0 Findings of the Study

4.1 Procurement Planning for Disposal

The various aspects that the researcher considered under procurement planning for disposal were the presence of a disposal plan and disposal committees in the departments; the length of the process of procurement planning; the effects of procurement planning on the rate of disposal; unique management commitments towards effective disposal; department dependence on higher authority to endorse disposal activities; presences of assets requiring disposal and times elapsed after recommendation to dispose; and overall departmental disposal of assets rating. The study sought to find out the number of the departments that had annual disposal plans as is required by the Public Procurement and Disposal Act and it was revealed that out of the 28 departments, 19 of them, that is, 67.9% did not have disposal plans. Further the researcher sought to find out the number of departments that had disposal committees and it was found that only 14.3% had these committees. These results revealed that departments were lacking in procurement planning for disposal. The study also sought to find out if the process of procurement planning for disposal was long or short as perceived by the 18 procurement personnel respondents. Figure 4.1 below showed that a greater percentage (65%) of the respondents agreed that the process was very long; 18% said that the process was long; 10% said that the process was moderate; 5% indicated that the process was short and a minimal percentage of 2% indicated that the process was very short.

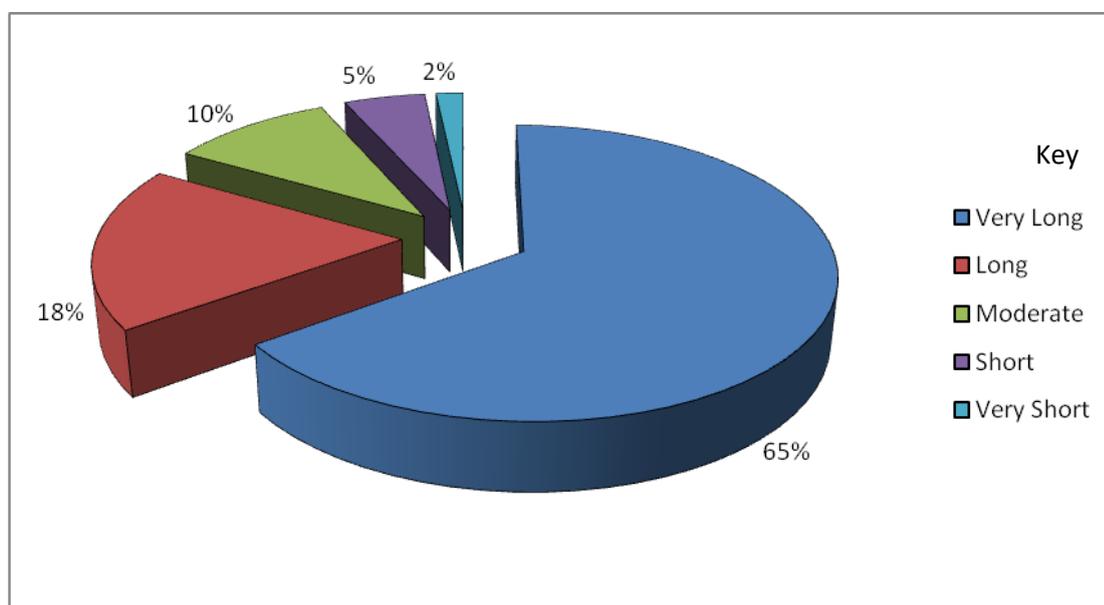


Figure 4.1 Process of Procurement Planning for Disposal

The study revealed that procurement planning affected the rate of disposal as it was seen that 100% of the departments agreed that it did. 27 departments, that is, 96% said that procurement planning affected the rate of disposal highly while 4% said it affected moderately. 17 departments out of 28, that is, 67.9% confirmed that they did not have any unique management commitments towards effective disposal. 17 departments, that is, 60.7% said that they depended on a higher authority to endorse their disposal activities as shown in

table 4.1 below and additionally, out of these 17 departments, 88.2% said the higher authority did not respond in good time. These results showed that the disposal cycle was lengthened and took more time to complete.

Table 4.1 Department Dependence on Higher Authority to Endorse Disposal Activities

Response	Frequency	Percentage	Cumulative Percent
Yes	17	60.7	60.7
No	11	39.3	100.0
Total	28	100.0	

100% of the procurement personnel agreed that their departments contained items that required disposal and 89% said that the items had taken very long(more than one year) in this state. The overall departmental disposal of asset rating was that 35.7% of the 28 departments showed evidence of very low rates of asset disposal; 7 departments, that is, 25% showed evidence of low rates; 6 departments, that is, 21.5% showed evidence of fair rate of disposal. These results revealed that 60.7% showed evidence of low disposal rates put together. This was shown in figure 4.2.

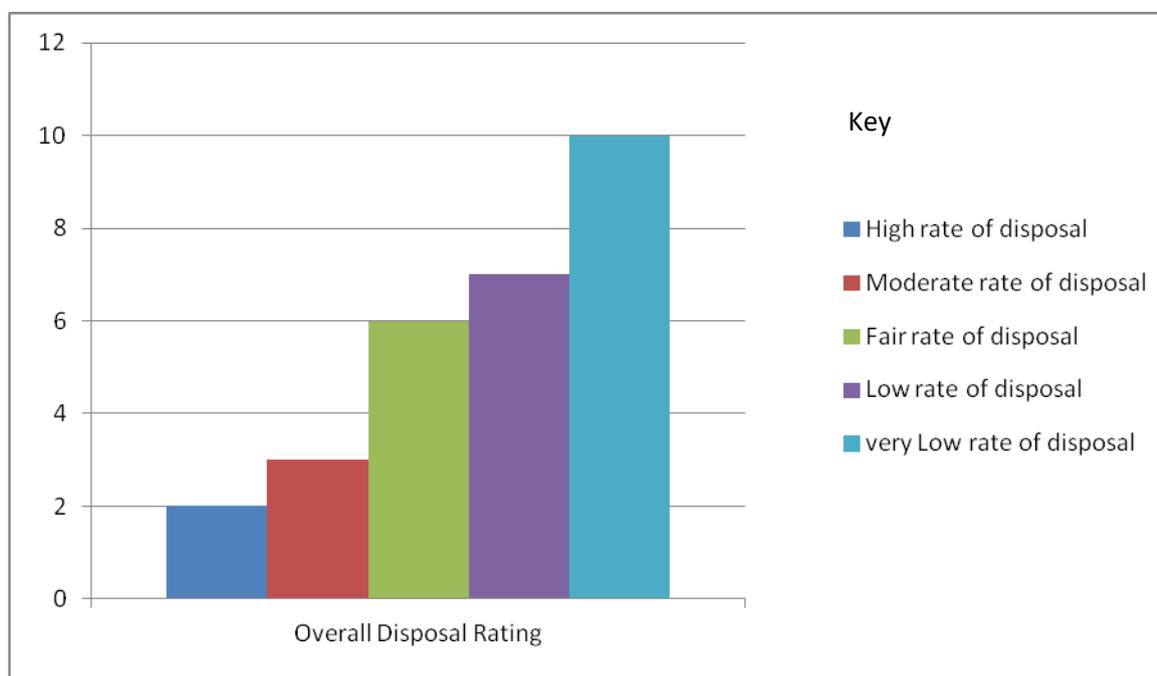


Figure 4.2 Overall Departmental Disposal of Asset Rating

The items considered to make the list of assets in public sector organizations were: vehicles, plant (farm & public works machinery), office equipment, furniture, scrap, stores and surplus items. Table 4.15 shows the evidence gathered by observation that among these items office

equipment had the lowest rates of disposal at 28.2% as compared to other categories; vehicles & plant followed closely with 27.1%; stores & surplus was 24.7%; while unwanted materials, furniture & scrap was at 20%. This is shown in table 4.2 below.

Table 4.2 Disposal Rating per Category of Asset

Item Category	Frequency	Percentage
Office Equipment	24	28.2
Vehicles & Plant	23	27.1
Stores & Surplus	21	24.7
Unwanted Materials, furniture & Scrap	17	20
Total	85	100.0

4.2 Other Factors Affecting the Rate of Disposal

Other factors that affected the rate of disposal of assets in public sector organizations were as follows: cannibalization of assets was 13.5% as compared to all the other factors affecting the rate of disposal; vested interests among senior management 11.9%; overstaying of equipment needing disposal resulting in higher deterioration 12.8%; modern technological issues 7.9%; setting of high reserve prices 11.9%; collusion and corruptive practices 11.9%; delayed, unsuccessful and cancellation of disposal proceedings 7.9%; lack of finances to initiate disposal proceedings 10.3%; and poor storage practices was 11.9%. The following factors affecting the rate of disposal cut across the aspect of strategic asset management: vested interests among senior management; overstaying of equipment needing disposal resulting in higher deterioration; setting of high reserve prices; lack of finances to initiate disposal proceedings; and collusion and corruptive practices. These aspects of strategic asset management were captured in table 4.3 to be the majority of other factors affecting the rate of disposal, that is, 58.8%.

Table 4.3 Other Factors Affecting the Rate of Disposal

	Responses	Frequency	Percentage	Cumulative Percent
1	Cannibalization of assets	17	13.5	13.5
2	Vested interests among senior management	15	11.9	25.4
3	Overstayed equipment resulting in higher deterioration and obsolescence of items	16	12.8	38.2
4	Modern Technological issues	10	7.9	46.1

5	Setting of high reserve prices that are unachievable	15	11.9	58.0
6	Collusion/Corruptive practices	15	11.9	69.9
7	Delayed, unsuccessful and Cancellation of proceedings	10	7.9	77.8
8	Lack of finances to initiate disposal	13	10.3	88.1
9	Poor storage practices	15	11.9	100.0
Total		126	100.0	

4.3 Financial and Accounting Risks Associated with Disposal that Affect the Rate of Disposal

The study sought to find out the financial and accounting risks associated with disposal that affected the rate of disposal. Table 4.4 showed that: Setting of reserve prices at low levels due to corruptive practices had a risk of 13.9% compared to the other risks; Poor channeling of money proceeds from disposal was 15.8%; Abandoning of items needing disposal hence value is lost further was 16.4%; Selling assets at a lesser value compared to the market value was 2.4%; Disposal procedures are expensive yet items end up not disposed was 12.1%; lack of financial accountability was 13.3%; Items earmarked for disposal occupy unwarranted storage space was 16.4%; and, items not due for disposal are included in the list for disposal requirements 9.7%.

Table 4.4 Financial and Accounting Risks Associated with Disposal that Affect the Rate of Disposal.

Risks	Frequency	Percent	Cumulative Percent
1 Setting of reserve prices at low levels due to corruptive practices	23	13.9	13.9
2 Poor channeling of money proceeds from disposal	26	15.8	29.7
3 Abandoning of items needing disposal hence value is lost further	27	16.4	46.1
4 Selling assets at a lesser value compared to the market value	4	2.4	48.5
5 Disposal procedures are expensive yet items end up not disposed	20	12.1	60.6
6 Lack of proper financial accountability	22	13.3	73.9
7 Items earmarked for disposal occupy unwarranted storage space	27	16.4	90.
8 Items not due for disposal are included in the list for disposal requirements	16	9.7	100.0
Total	165	100.0	

4.4 The Choice of Asset Disposal Methods

Data on the variable of the choice of asset disposal methods was collected using the following question areas: the challenges experienced with asset disposal methods; the occurrence of unsuccessful or delayed disposal proceedings; the responsibility of choice of method on delayed or unsuccessful disposals; and the perceived length of the asset disposal methods.

The study sought to find out whether there were challenges experienced with some asset disposal methods and it was revealed, that 22 departments, that is, 78.6% agreed that they had experienced challenges and only 6 departments, that is, 21.4% said that they had not experienced challenges with asset disposal methods. The researcher further sought to find out the degree by which these challenges affected the rate of disposal and out of the 22 departments who had agreed that they experienced challenges with asset disposal methods, 19 of them, that is, 86.4% said that the challenges affected the rate of disposal highly; 2 of them, that is, 9.1% said the challenges affected the rate of disposal moderately and 1, that is, 4.5% said the rate of disposal was affected fairly by these challenges as shown in table 4.5 below.

Table 4.5 Degree by Which Challenges of Asset Disposal Methods Affect the Rate of Disposal (Heads of Department)

Response Percent	Frequency	Percentage	Cumulative
Highly	19	86.4	86.4
Moderately	2	9.1	95.5
Fairly	1	4.5	100
Low	0	0	0
Very low	0	0	0
Total	22	100.0	

94.4% of the 18 respondents who were procurement personnel agreed that unsuccessful or delayed disposal proceedings had occurred in their departments and 100% of them attributed the delayed or unsuccessful disposal proceedings to be as a result of the choice of disposal method. These results meant that when the department made a choice of a particular disposal method and the proceedings delayed or failed, then this failure was purely attributed to the fact that choice of the disposal method must have been wrong.

The study sought to find out if the methods of disposal were perceived as long and therefore should be changed. Out of 46 respondents, that is, heads of departments and procurement personnel, 45 of them (97.8%) agreed that disposal methods listed in Public Procurement and Disposal Act were long and should be changed. These results showed that achieving a timely disposal cycle may become difficult with long disposal methods because a disposal cycle should be started and completed within one year.

Conclusion

Public sector organizations within Yatta sub-county have exhibited low rates of disposal as revealed in the study. Lack of procurement planning for disposal was evident; the departments also experienced challenges with methods of asset disposal which happened to be long and tedious. There was also the need to seek approval from higher authority other than the Accounting Officer to endorse disposal activities. This is confirmed by a study by Ogwengo (2007) that recommended that the procedure for disposal of assets in public sector organizations should be made shorter. Additionally there were financial and accounting risks such as setting of prices at low levels; abandoning of assets until they lose value to almost zero; expensive disposal procedures; items requiring disposal occupying unwarranted space; and poor channeling of the proceeds from disposal, that also affected the rate of disposal. Lastly, various factors were also identified by the study to have contributory strengths towards lower rates of disposal. These factors included: cannibalization of assets; vested interests among senior management; overstayed equipment deteriorating further; technological issues; setting of unrealistic reserve prices; collusion and corruptive practices amongst employees; cancellation of proceedings; lack of finances to initiate disposal proceedings; and, poor storage practices.

Recommendations

The public sector organizations within Yatta Sub-county should embrace stringent procurement planning for disposal. They should follow the regulations laid down in Public Procurement and Disposal Act and Regulations that provide for the need to form disposal committees and allows for departments situated in geographically dispersed areas from mother ministries to spear head their own disposal activities rather than depending on higher authority to endorse disposal activities. Public Procurement and Disposal Act and Regulations should be amended to ensure that the procurement function within these departments takes a leading role in organizing and guiding the disposal activities.

The various factors identified as other factors affecting the rate of disposal require strategic asset management within the departments. Modern technological issues, for example, will be accounted for in asset replacement plans; setting of reserve prices that guide the selling price for assets should be derived from asset depreciation values; and storage for items awaiting disposal should be carefully undertaken to avoid further loss of value in assets.

The various financial and accounting risks that are associated with disposal and that affect the rate of disposal should be managed closely to ensure that they are mitigated through thorough risk management. The channeling of the proceeds from the sale assets on disposal should be made directly to the department so that the money is used to finance disposal activities, maintain and replace assets.

The Act provides for many disposal methods including shorter ones of transferring to a needy department with or without financial adjustments. The study revealed that most departments found the asset disposal methods to be long. Apparently the departments must be choosing longer methods because they promote accountability and competition and they seem to be ignoring shorter methods. The departments should strive to apply all the disposal methods enlisted in the Act because all of them are allowed by the Act. Additionally, Public Procurement and Disposal Act should be amended to shorten the disposal methods that are perceived to be long by public sector organizations.

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