



An Roinn Airgeadais
Department of Finance

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Circular 30/03 Depreciation and Disposal of PC's and other computer hardware.

Introduction:

1. I am directed by the Minister for Finance to refer to Circular 18/97 and in particular to the recommendation therein that, in general, IT assets should be depreciated over 5 years. This Circular is intended to further clarify procedures for the replacement of hardware, particularly PC's, the disposal of equipment being replaced, and the treatment of these operations in the Appropriation Accounts.
2. In recent years, the replacement of IT hardware, particularly PC's, has generally been driven by the need to facilitate the use of new software, and by the availability of improved hardware, rather than by equipment ceasing to function, and has in some cases become necessary in less than 5 years.
3. Changing the standard period for writing off equipment to less than 5 years has been considered, but as the development and adoption of new hardware and software is essentially unpredictable, the appropriate time to replace equipment can be expected to vary markedly from time to time, depending on both the pace of innovation in technology and the evolution of Departments'/Offices' business plans. Accordingly, the 5 year depreciation period is being retained.

Principles governing disposal of IT equipment:

4. The following principles should be applied when disposing of IT equipment, regardless of age:
 - a. Replacement of equipment should be driven by the business needs of the Department/Office and not by the book value of the equipment. Equipment that continues to function properly should be replaced only when necessary to accommodate developments forming part of an IT strategy or development plan fully aligned with the business needs of the organisation, which is covered by a Delegation Certificate issued under Circular 16/97.
 - b. Disposal of unwanted equipment should be carried out in the most financially advantageous manner possible, including minimising storage and removal costs. As IT equipment tends to lose market value rapidly, disposal should take place as soon as possible, once a decision to replace the equipment has been made.

- c. Equipment should be sold at market value, in accordance with the general guidelines for the disposal of State assets, regardless of the depreciated book value. This may include sale to staff. Items found to have zero market value may be given free to staff, schools, charities etc.

Practical arrangements for disposal:

5. The following steps should be taken in connection with the disposal of equipment:
 - a. Departments/Offices should at all times ensure that conditions of licenses or copyright are complied with. In general, all software, other than Original Equipment Manufacturer (OEM) operating systems (i.e. operating systems installed on the equipment by the manufacturer under license from the Software provider) should be removed from machines being disposed of.
 - b. Departments/Offices are responsible for ensuring that data, including encrypted data, is erased from hard drives prior to disposal and that this is done in a manner which prevents recovery of the information. Departments/Offices should be aware of their obligations under the Data Protection Act to protect personal data from unauthorised access.
 - c. It should be made clear to the purchaser that no guarantee of the machine's performance is being given.
 - d. Where equipment is to be scrapped, rather than sold, Departments/Offices must satisfy themselves that the methods employed by removal/disposal companies are compliant with all relevant environmental protection legislation and standards. In addition, it is strongly recommended that IT Units in Departments/Offices acquaint themselves with the provisions of EU Directive 2002/96/EC on Waste Electrical and Electronic Equipment (WEEE). While Ireland has until 13 August 2006 to bring into force the legal provisions necessary to comply with this Directive, the policy and best practice provisions outlined in the Directive should be followed.
 - e. The serial numbers of machines scrapped or sold should be recorded together with the identity of the purchaser or removal company.

Accounting treatment:

6. Where there is a difference between the price obtained for the equipment and the depreciated book value, this should be noted in the Appropriation Accounts. Where equipment is disposed of in the manner set out in this Circular, specific Finance sanction for writing off the ostensible loss is not required.

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Jim Duffy

Assistant Secretary