

Learning from audit



Asset Management for public entities

Auditors – just not funny



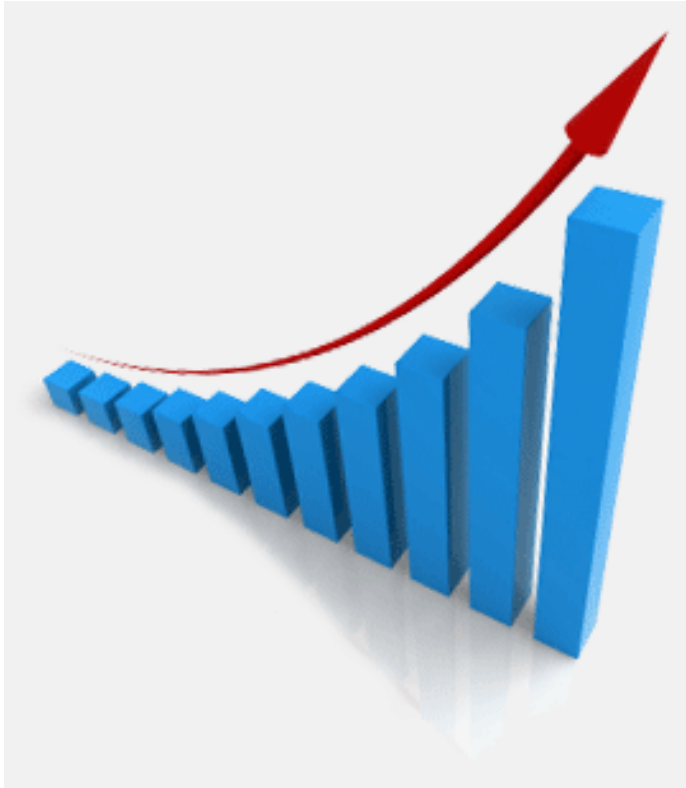
"Frankly, Mr Clause, we don't understand - two days ago you had assets worth billions - today, nothing..."

Asset management – why care?



- ☑ **Public services** rely on assets to support their delivery. Unless assets are well managed, services suffer.
- ☑ Assets represent a **significant investment** by New Zealanders..... which needs to be protected.
- ☑ Assets are often **taken for granted** until they fail. A failed asset can have both a social and economic impact on the country. To avoid this, assets cannot be taken for granted by **everyone**, they have to be managed.
- ☑ Significant assets? - asset management should be an important part of **decision-making** and management control environment.
- ☑ Government interested - **CAM**

The task – advance asset management



Capital intensive agencies
“appear to be on a consistent, steady track to more advanced asset management practice over the next four – five years”

– Treasury Oct 09

but

What works?

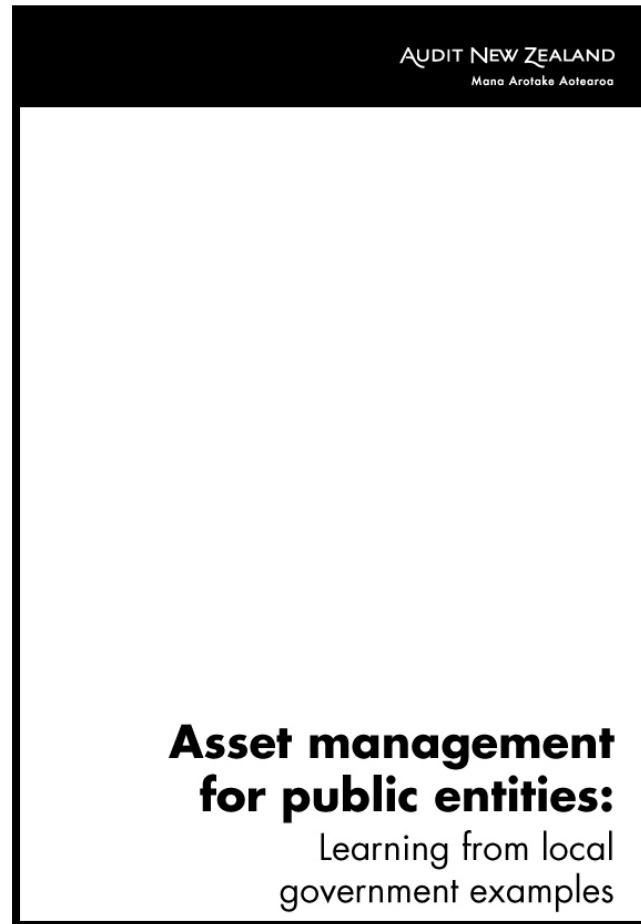
Who can we learn from?

Who’s doing well?

What are the pitfalls?

How can we help?

Asset management for public entities



Three things

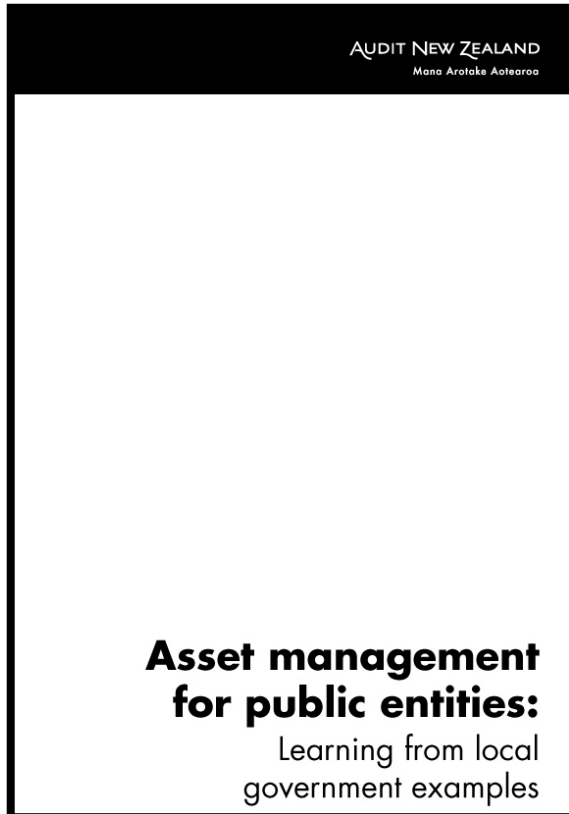


What is it?

How did it come about?

How to use the case studies

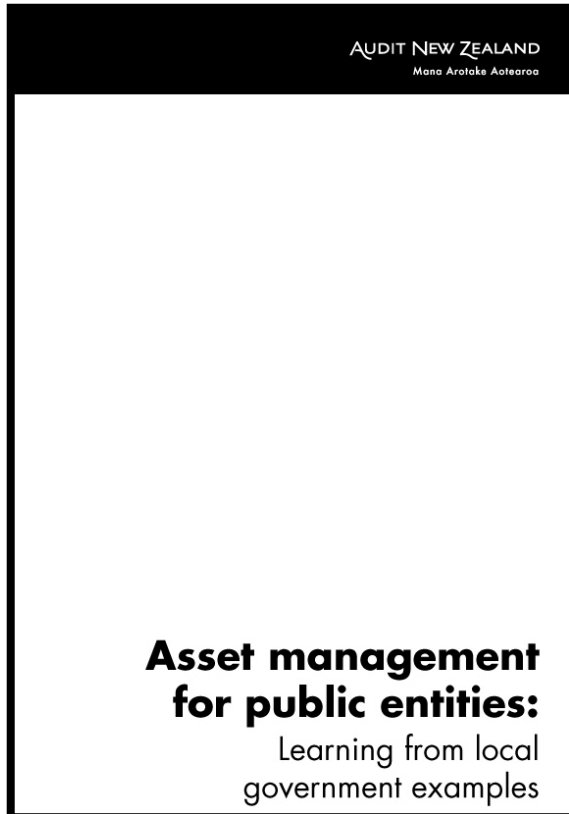
What have we done?



What ?

- Feedback the knowledge of effective asset management practice from our audits of Long Term Council Community Planning
- A think piece covering notable practice
- Focus on the positive
- Examples mostly good, some bad, woven together with our own thoughts
- Very Plain English – direct but not critical
- Stimulate thinking, provide ideas and contacts

and why?



Our rationale

- Vision to **Add Value, Assure Excellence, Audit New Zealand**
- Provide information that matters
- Align with the Government's focus on efficiency and effectiveness and CAM's "provision of good practice guidance to agencies"
- Buy in, not switch off
 - Recognition
 - Encourage sharing
 - Support for self change

What does it tell us?

1. **Learning from audit**
Organisational issues v Asset Management issues
2. **What are the Asset Management essentials that we must get right?**
The basics as we see them.
3. **The best of what we found, and what makes it so good.**
Those examples of taking the next step in practice.
4. **The worst of what we found, and why it matters.**
The pitfalls you need to avoid.
5. **The most effective improvements you could make.**
Concentrating on these things can be an effective way forward.
6. **Things that look good but don't add value.**
Asset management needs to be real and kept in proportion.
No-one has time for things that don't add value.
7. **What should we be talking to our stakeholders about?**
Assets are there to support services, and the views of service users are important.
8. **Why audit and other external review matters.**
We believe it does and the best performing organisations seem to agree.

How did it come about?



- Assets are important – social, economic and environmental effects
- Assets need managing – can't be ignored by everyone
- Info for one purpose – used for another
- Auditors want things to be better next time – but how to encourage?
- High demand

How to use it



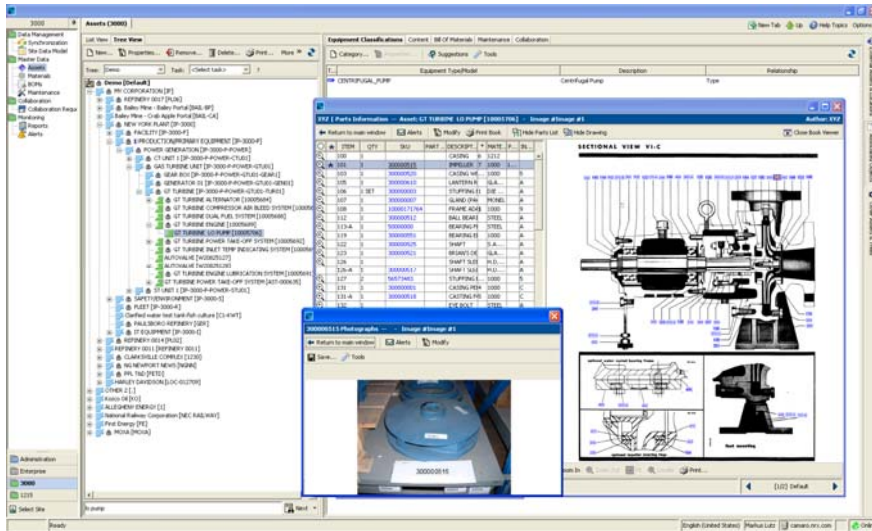
- Recognise that there's something for everyone - not just local government
- A resource for public sector asset managers, but also senior managers and governing bodies
- Debate the role of Asset Management in your organisation
- Notable practice
- Contacts

What are the Asset Management essentials that we must get right?



- **Be clear how it fits with your business planning**
- Ensure asset management is integral to strategic and operational, service and financial planning
- Take a planned approach, with those involved well organised and clear what is expected of them
- Consider funding sources and available finance
- Financial forecasts need to be complete and ready to inform the budget

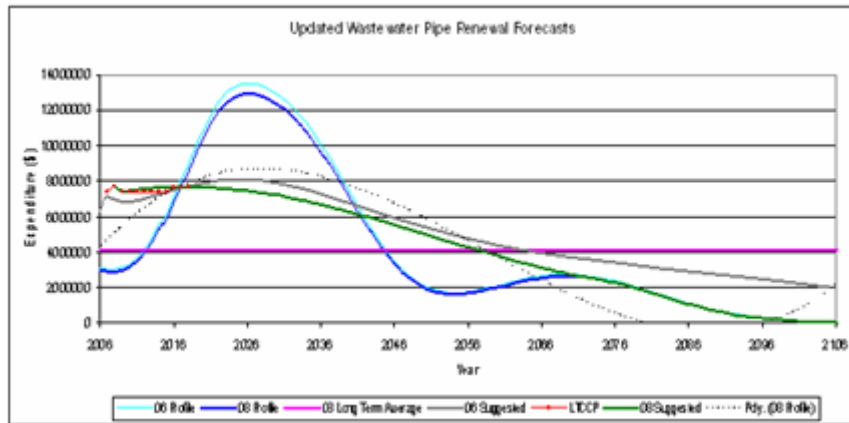
What are the Asset Management essentials that we must get right?



Know your assets, and know what you expect of them

- Good planning relies on good quality data
- Data systems can only be as good the way in which they are operated
- Levels of service need to be clear, explicit and make sense to asset managers and service users alike

What are the Asset Management essentials that we must get right?



- Plan your work, be clear what needs doing and why
- Lifecycle asset management strategies need to be comprehensive and clearly set out the rationale for what is planned
- Service delivery arrangements need to be clear
- Demand needs to be understood in order to respond to it
- Risks need to be recognised and managed
- Improvement only takes place if its is planned and monitored

Things that look good but don't add value



- ☒
- ☒
- ☒

The be seen to be doing something problem

- Incomplete plans
- Generic content
- Long plans

The run before you walk problem

- ☒ Optimised decision making that does not come up with the optimum solution

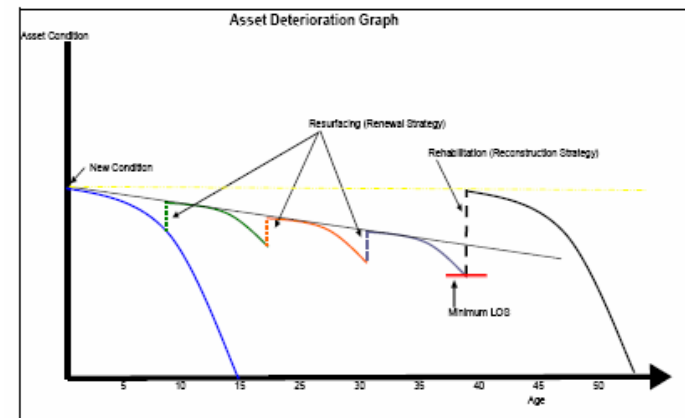


Figure 21 – Asset Deterioration Graph

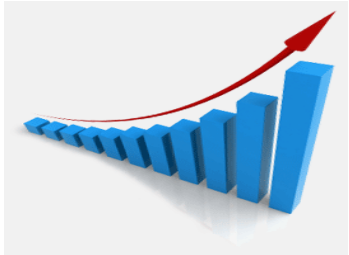
The most effective improvements you could make

- ✓ **Make it matter**
- ✓ **Make it fit**
- ✓ **Support it**
- ✓ **Make it easy**
- ✓ **Keep on top of your asset information**
- ✓ **Make performance management real**
- ✓ **Use it to make more informed budgetary choices**
- ✓ **Manage risk but do not over complicate it**
- ✓ **Manage demand**

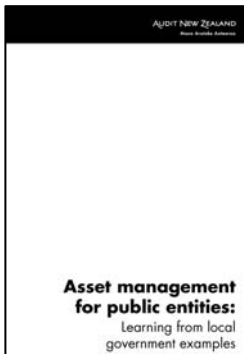
Conclusion



Asset management : providing a desired level of service through managing assets in the most cost effective manner for present and future customers



It is fundamental to good business planning and there is pressure to improve



A collection of notable practice
Give value back and help improvement