

RCA Forum December 2011

# An Auditor's view of Asset Management

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## Specialist Assurance



**Specialist team formed in the 1990's**

**Core service lines**

- ▣ Tendering and procurement
- ▣ Contract management
- ▣ Project management
- ▣ Asset management
- ▣ Risk management
- ▣ Governance and ethical issues
- ▣ Anything else where independent review would add value.

**Involved in developing public sector guidelines**  
(procurement, conflict of interest)

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## Auditors – just not funny



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

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# Asset Management

1. What do auditors do?
2. Recent performance audits
3. i-share
4. Long Term Planning in Local Government

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# Auditor-General's Strategy 2009-12

Our vision is that our audit and assurance work improves the performance of, and the public's trust in, the public sector.

Our purpose is to give independent assurance to Parliament and the public about whether public entities are:

- o Carrying out their activities effectively, efficiently and appropriately;
- o Using public funds wisely; and
- o Reporting their performance appropriately.

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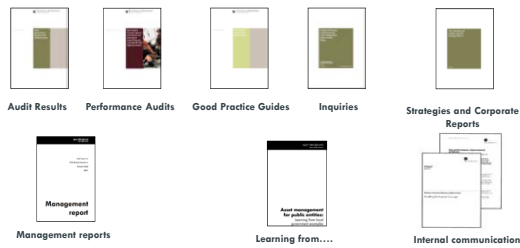
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# A range of work and products



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## 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**

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## Asset management is important to Auditors

### Potential impact on financial forecasts, funding, service performance and management control

- Reliability of valuations and financial forecast
- Recognition of capital v operational expenditure
- Assessment of depreciation
- Funding, affordability for the community and use of reserves
- Unnecessary cost or wastage

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## NZTA performance audit 1



- NZTA has the knowledge of the network and planning essentials in place to maintain the network well on a **day-to-day** basis
- levels of service are comparable with overseas roading authorities
- the scope and frequency of inspections is comparable with overseas
- NZTA needs to improve its information and plan more systematically for **long-term** maintenance and renewal of the network, for maintenance and renewal to be cost-effective over time

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## NZTA performance audit 2



- NZTA effectively maintains the state highway to a safe condition for road users
- A good range of contract models, market knowledge, long term approach to procurement, and contract management
- NZTA could improve the range of suppliers and consistency of management across the country
- NZTA could also use information to improve the effectiveness of maintenance work and target the most important areas for the long term condition and use of state highways

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## iShare knowledge transport sector pilot

# iShare

### A project to

- Take more of a sector view – not entity by entity
- Consider the information we hold (and could hold) about the transport sector
- Think about how we capture, share and use this information
- Explore how we can use it to improve what we and transport sector agencies do

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## iShare knowledge transport sector pilot

### iSHARE KNOWLEDGE INITIATIVE

The iShare Knowledge Initiative is the remaining link for us to achieve the improvements envisaged in the Office's Strategy 2010-13 and, importantly, will set the direction for our future business practices and ways of working. To explore ideas and solutions, we will focus on sectors within as well as the overall public sector, and focus on our ability to acquire and apply knowledge. An 'adaptive' approach will be adopted for this initiative.



We will be guided by three key questions:

- What is the most value we can draw from our annual audits?
- What is the most value we can draw from all of the work of the Office?
- How can we interact with public entities in a way that gets them talking and acting to improve their performance?

We will also ask ourselves:

- How can we do our job in a way that motivates and excites us?
- How can we improve the functionality and relevance of this Office?



### Our goal

- Improving ...
- ◊ My job
  - ◊ My knowledge
  - ◊ Our audits
  - ◊ Our reporting
  - ◊ New Zealand's public sector

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## Asset Management in Long Term Planning

### 10 Conclusions

- Reliable plans and data
- Lifecycle asset management strategies and reasonable estimates
- Schedule 10 requirements met by AMP financial forecasts
- Appropriate assumptions
- Asset related Levels of Service well founded and reflecting in LTP
- Links to other plans, policies and strategies
- Good quality overall planning environment
- Materially complete good quality AMPs
- Consistency between AMPs and LTP

• Right debate drawn out of AMPs  
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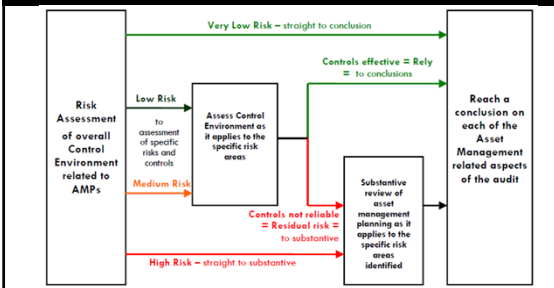
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## Risk assessment → controls or substantive → conclusion



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## We already know a lot

### We know a lot about the quality of asset management

- We have reviewed planning as part of LTCCP in 2006 and 2009
- We are getting lots of good quality information from the self assessment: 16 specific questions that map directly to our methodology
- We have the findings of our annual audits
- And other intelligence we have gathered along the way

This year we are taking this knowledge and building on it

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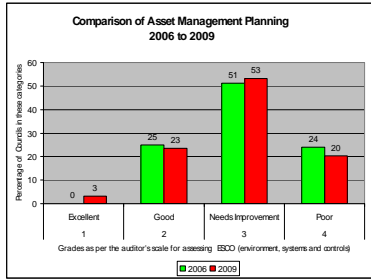
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## But the track record isn't great



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## What did we do and why?

### Asset management for public entities:

Learning from local government examples

- Reviewed the asset management planning of 72 local authorities, as part of our audit of LTCCPs
- Lots of knowledge – gathered for one purpose, but valuable for others
- Lots of demand from entities to know "who's doing this well?"
- Reviewed our work and pulled out all the notable practice
- Offer it to the sector to help improve performance in this important (and sometimes neglected) area of public management.

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## What did it tell the sector?

- What are the Asset Management essentials that we must get right?**  
The basics as we see them.
- The best of what we found, and what makes it so good.**  
Those examples of taking the next step in practice.
- The worst of what we found, and why it matters.**  
The pitfalls you need to avoid.
- The most effective improvements you could make.**  
Concentrating on these things can be an effective way forward.
- 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.
- What should we be talking to our stakeholders about?**  
Assets are there to support services, and the views of service users are important.
- Why audit and other external review matters.**  
We believe it does and the best performing organisations seem to agree.

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## Summary



Performance auditing NZTA  
Good day to day knowledge, comparable with overseas - Could be used better in long term

### iShare

Taking a sector-wide view and exploring what information can be shared



A collection of notable practice  
Give value back and help improvement



A risk based approach to review in 2011/12  
linked directly to reaching an opinion on the LTP

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## 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

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